SUPREME COURT, U. S.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 1124

ATLAS SCRAPER AND ENGINEERING CO., a corporation,
Petitioner,

vs.

HARRY A. PURSCHE,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

R. WELTON WHANN,
ROBERT M. McMANIGAL,
315 West Ninth Street,
Los Angeles 15, California,
Attorneys for Petitioner.

Parker & Son, Inc., Law Printers, Los Angeles, Phone MA. 6-9171.

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Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

To the Honorable, the Chief Justice and Associate Justices of The Supreme Court of the United States:

Atlas Scraper and Engineering Co., the petitioner herein, prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit, entered in the above-entitled case on December 12, 1961.

Opinions Below.

The opinion of the Circuit Court of Appeals for the Ninth Circuit (*infra*, App. B, p. 7) is reported at ..... F. 2d ..... 132 U. S. P. Q. 104. The opinion of the United States District Court for the Southern District of California, Central Division (*infra*, App. A, p. 1) is unreported.

Jurisdiction.

The judgment of the Court of Appeals for the Ninth Circuit was entered December 12, 1961 (*infra*, App. C, p. 52). A timely petition for rehearing was denied on April 3, 1962 (*infra*, App. D, p. 53). The Court of Appeals for the Ninth Circuit granted a stay of the issuance of the mandate of that Court pending the disposition of this Supreme Court of the United States of a petition for a writ of certiorari, provided that this petition is filed by May 19, 1962.

The jurisdiction of the Court is invoked under 28 U. S. C. §1254(1).

Questions Presented.

(a) Under 28 U. S. C. §1338(b), which states that:

> "(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

does the term "related claim" require that both the federal and non-federal causes rest on substantially identical facts, or does that term merely require that there exist a considerable overlap in the factual basis of the federal and non-federal causes and that a substantial amount of the evidence of one claim be relevant to the other?

(b) Under 28 U. S. C. §1338(b) is a "related claim" of unfair competition restricted to a claim in which the primary relief sought is with respect to an essentially single wrong, however characterized, as distinguished from separate "causes of action"?

(c) Is 28 U. S. C. §1338(b) unconstitutional if the term "related claim" is interpreted to merely require that there exists a considerable overlap in the factual basis of the federal and non-federal causes and that a substantial amount of the evidence of one claim be relevant to the other?

Constitution and Statutes Involved.

Constitution

Article III, Section 2:

"Section 2. Jurisdiction of Courts

"Section 2. The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;—to all Cases affecting Ambassadors, other public Ministers and Consuls;—to all Cases of admiralty and maritime Jurisdiction;—to Controversies to which the United States shall be a Party;—to Controversies between two or more States;—between a State and Citizens of another State;—between Citizens of different states;—between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects."

Statute

28 U. S. C. §1338(b):

"(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws." (June 25, 1948, c. 646, 62 Stat. 931.)

Statement of the Case.

On November 3, 1953, respondent Harry A. Pursche filed a complaint in the district court charging petitioner with infringement of several patents relating to plows and with a claim of unfair competition. Petitioner answered and urged that the district court did not have jurisdiction of the claim of unfair competition.

Petitioner later commenced an action with respect to its new plows, seeking a declaratory judgment of non-infringement and invalidity of the patents in suit. Respondent filed a counterclaim charging petitioner with infringement of the patents and a claim of unfair competition.

The basis of the respondent's claims of unfair competition is set forth on pages 25 to 27 of its opinion. Briefly, the facts involved and holding of the Court below are as follows:

Petitioner and respondent entered into a license agreement [App. E, R. VI, pp. 1645, *et seq.*] with respect to the structures of the patent in suit. This agreement provides that to the extent of petitioner's interest therein, all improvements, modifications and betterments to respondent's invention, which petitioner acquires while the agreement is in force, belong to respondent, and that petitioner should promptly disclose and transfer by proper assignment all such inventions to respondent.

Petitioner's employee Roy L. Chandler made improvements in tail wheel arrangements and gear-type turning devices which are not plows in themselves but are useful on the plows of the patents in suit and also on other

plows, for example, on respondent's plow which was found not to infringe any of the patents in suit.

The Court below held that petitioner wrongfully concealed the information concerning these improvements made by Chandler, that petitioner was entitled to the improvements, and that the concealment of the improvements and their continued use by petitioner "did and does constitute unfair competition" as to the respondent.

The facts of this case differ from the ordinary patent suit in which the asserted claim of unfair competition combined with the claim for patent infringement is based on the same structure and combination of elements claimed in the patent. Here the alleged unfair competition is based on violation of a contract. There are, in fact, two separate legal wrongs based on different facts and different theories.

Basis for Federal Jurisdiction Below.

The trial court had jurisdiction of the claims charging petitioner with infringement of patents under 28 U. S. C. §1338(a) and under the declaratory statute 28 U. S. C. §2201.

Since both parties are citizens and residents of the State of California the District Court would have jurisdiction of the asserted claims of unfair competition under 28 U. S. C. §1338(b) *only* on the basis that such claims were joined with a substantial and related claim under the patent laws.

Reasons for Granting the Writ.

1. The decision of the Ninth Circuit Court of Appeals is directly in conflict with the decisions of the Seventh Circuit Court of Appeals, of the Eighth Circuit Court of Appeals, and of the Sixth Circuit Court of Appeals, over the construction of the phrase "related claim" appearing in 28 U. S. C. §1338(b). The Court below recognized this conflict with respect to the Seventh Circuit and the Eighth Circuit. The Court stated at page 24:

> "There is some *conflict among the circuits over the construction of the phrase, 'related claim'* appearing in this statute; *some require that 'both the federal and non-federal causes rest on substantially identical facts,'* (Powder Power Tool Corp. v. Power Actuated Tool Co., 230 F. 2d 409, 413 (7th Cir. 1956); Landstrom v. Thorpe, 189 F. 2d 46 at 51 (8th Cir. 1951)) *while others are satisfied if there exists a 'considerable overlap in their factual basis' and if a substantial amount of the evidence of one claim be relevant to the other.* Maternally Yours v. Your Maternity Shop, 234 F. 2d 538 at 543 (2d Cir. 1956); Lyon v. Quality Courts United, 249 F. 2d 790 at 795 (6th Cir. 1957); * * *" (emphasis added).

However, the Court below erred with respect to the Sixth Circuit's construction of the phrase "related claim" appearing in this statute, 28 U. S. C. §1338(b).

The Sixth Circuit requires that "both the federal and non-federal causes rest on substantially identical facts." and is NOT *satisfied* if there exists a "'considerable overlap in their factual basis' and if a sub-

stantial amount of the evidence of one claim be relevant to the other."

The fact that the Sixth Circuit has consistently required "both the federal and non-federal causes rest on substantially identical facts" is apparent from the following cases:

American Fidelity & Cas. Co. v. Owensboro Milling Co., 222 F. 2d 109, 110 (1955);

United Mine Workers of America v. Meadow Creek Coal Company, 263 F. 2d 52, 59-60, cert. denied 1959, 359 U. S. 1013, 79 S. Ct. 1149, 3 L. Ed. 2d 1038 (1959).

Dann v. Studebaker-Packard Corporation, 288 F. 2d 201 (1961). The Court, at page 215, after stating the doctrine of *Hurn v. Oursler*, 289 U. S. 238 (1933), 53 S. Ct. 586, 589, 77 L. Ed. 1148, held:

"* * * *However, this doctrine is limited to the case where a 'single cause of action' is presented and in no way changes the universal rule* that a federal court, in non-diversity cases, cannot assume jurisdiction of a separate and distinct non-federal cause of action merely because it is joined in the same complaint with a cause of action arising under federal law. Hurn v. Oursler, supra; American Fidelity & Cas. Co. v. Owensboro Milling Co., 6 Cir., 1955, 222 F. 2d 109, 110-111; *French Renovating Co. v. Ray Renovating Co., 6 Cir., 1948, 170 F. 2d 945, 947*; General Motors Corp. v. Rubsam Corp., 6 Cir., 65 F. 2d 217, 218, certiorari denied 1933, 290 U. S. 688, 54 S. Ct. 123, 78 L. Ed. 593; *accord, United Mine Workers of America v. Meadow Creek Coal Co., 6 Cir., 263*

*F. 2d 52, 59-60, certiorari denied 1959, 359 U. S. 1013, 79 S. Ct. 1149, 3 L. Ed. 2d 1038; * * *. If 'substantially identical facts' [170 F. 2d 947] will support both the local and federal theories of recovery, then a single cause of action is presented. If, however, additional facts are necessary to support the local law theory, then separate and distinct causes of action are joined in the same complaint. Hurn v. Oursler, supra;* American Fidelity & Cas. Co. v. Owensboro Milling Co., supra; *French Renovating Co. v. Ray Renovating Co., supra. The present controversy falls into the latter category; i.e., more facts are necessary to support a rescission of the election under state law than are necessary to establish the fact * * *"* (emphasis added).

The case cited by the Ninth Circuit in support of its statement to the contrary, namely, *Lyon v. Quality Courts United,* 249 F. 2d 790 at 795 (6 Cir. 1957), does not support the Court's position that the Sixth Circuit follows the liberal view. The primary relief sought in *Lyon v. Quality Courts United, supra,* was an injunction to put an end to an essentially single wrong, namely, to force the defendants to stop using the plaintiff's trade-marks and trade name. The Court held that the claim of unfair competition was closely related to the trade-mark claim.

In other words, while the opinion of the Court below indicates that the four circuits mentioned in the opinion were equally divided over the construction of the phrase "related claim" appearing in the statute, *the fact is that only one of the four circuits supported its decision.*

2. The decision of the court below is directly in conflict with the decisions of this court in *Hurn v. Oursler*, 289 U. S. 238, 53 S. Ct. 586, 77 L. Ed. 1148 (1933), and in *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U. S. 315, 83 L. Ed. 195 (1938), the last decisions of this Court in unfair competition pendent jurisdiction cases.

In *Hurn v. Oursler, supra*, the plaintiff sought relief for (1) statutory copyright infringement in respect to a copyrighted play, (2) unfair competition in respect to the copyrighted play, and (3) unfair competition in respect to an uncopyrighted revision of the copyrighted play.

This Court held that the district court had jurisdiction over the claim of unfair competition in respect to the copyrighted play, but that the district court did not have jurisdiction over the claim of unfair competition in respect to the uncopyrighted revision. The opinion, by Mr. Justice Sutherland, reads in part at pages 245, 246 and 247:

> "But the rule does not go so far as to permit a federal court to assume jurisdiction of a separate and distinct non-federal cause of action because it is joined in the same complaint with a federal cause of action. The distinction to be observed is between a case where two distinct grounds in support of a single cause of action are alleged, one only of which presents a federal question, and a case where two separate and distinct causes of action are alleged, one only of which is federal in character. * * *
>
> "The case at bar falls within the first category. The bill alleges the violation of a single right,

namely, the right to protection of the copyrighted play. And it is this violation which constitutes the cause of action. Indeed, the *claims* of infringement and unfair competition so precisely *rest upon identical facts* as to be little more than the equivalent of different epithets to characterize the same group of circumstances. *The primary relief sought is an injunction to put an end to an essentially single wrong, however differently characterized, not to enjoin distinct wrongs constituting the basis for independent causes of action.* The applicable rule is stated, and authorities cited, in *Baltimore S. S. Co. v. Phillips*, 274 U. S. 316. 'A cause of action does not consist of facts,' this court there said (p. 321), 'but of the unlawful violation of a right which the facts show. The number and variety of the facts alleged do not establish more than one cause of action so long as their result, whether they be considered severally or in combination, is the violation of but one right by a single legal wrong . . . "The facts are merely the means, and not the end. They do not constitute the cause of action, but they show its existence by making the wrong appear."'

"Thus tested, the claims of infringement and of unfair competition averred in the present bill of complaint are not separate causes of action, but different grounds asserted in support of the same cause of action." (Emphasis added.)

The Revisers' Notes in connection with Section 1338(b) make it plain that the existing law is merely codified by that Section. These notes read in part as follows:

"* * * While this is the rule under Federal decisions, this section would enact it as statutory authority. The problem is discussed at length in *Hurn v. Oursler* (1933, 53 S. Ct. 586, 289 U. S. 238, 77 L. Ed. 1148) and in *Musher Foundation v. Alba Trading Co.* (C. C. A. 1942, 127 F. 2d 9) (majority and dissenting opinions)."

The words "related claim" in the Statute undoubtedly came from the use of those words in a footnote of the *Hurn v. Oursler* opinion, 289 U. S. 238 at page 240.

The only other decision of this Court directly in point is *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U. S. 315, 59 S. Ct. 191, 83 L. Ed. 195 (1938). The cause of action was the interference with the exclusive right to use the mark "Nu-Enamel." This Court held that having acquired jurisdiction, the jurisdiction of the district court continued to determine, on substantially the same facts, the issue of unfair competition. Mr. Justice Reed stated at page 325:

"* * * Once properly obtained, jurisdiction of the one cause of action, the alleged infringement of the trade-mark, persists to deal with all grounds supporting it, including unfair competition with the marked article. The cause of action is the interference with the exclusive right to use the mark 'Nu-Enamel.' * * * The facts supporting a suit for infringement and one for unfair competition are substantially the same. They constitute and make plain the wrong complained of, the violation of the right to exclusive use.

"* * * Registration of 'Nu-Enamel' furnished a substantial ground for federal jurisdic-

tion. That jurisdiction should be continued to determine, *on substantially the same facts,* the issue of unfair competition." (Emphasis added.)

3. The decision of the Court below is also in direct conflict with the decision of that Court in *Dubil v. Rayford Camp & Co.*, 184 F. 2d 899. The opinion by Circuit Judge Biggs (at page 901) reads:

"The leading case on the subject of joinder of federal and non-federal causes of action is, of course, Hurn v. Oursler, 289 U. S. 238, at pages 245, 246, 53 S. Ct. 586 at page 589, 77 L. Ed. 1148. * * * The distinction to be observed is between a case where two distinct grounds in support of a single cause of action are alleged, one only of which presents a federal question, and a case where two separate and distinct causes of action are alleged, one only of which is federal in character. * * *

"The cause of action based on trade-mark infringement and unfair competition arises out of the law of California. This fact is indecisive. What is decisive is that there are two separate and distinct causes of action, *one federal, one state, and the grounds, the operative facts, in support of each are not the same but are very different.* * * *" (Emphasis added.)

4. While the Second Circuit has changed its position with respect to the construction of Section 1338(b), that change was effected by different Judges. Judges Learned Hand and Augustus N. Hand consistently followed the doctrine of *Hurn v. Oursler* from 1937 to 1951. Note the decisions in the first footnote on page 548 of *Kleinman v. Betty Dain Creations*, 189 F. 2d

546. Also note Judge Augustus N. Hand's observation in that opinion at page 548 that "* * * the other circuits which have passed on the question appear to have been in accord with our views." (Citing decisions of the First, Third, Fifth, Sixth, Eighth and Ninth Circuits.)

5. The Court below has placed such an unwarrantedly broad construction on the term "related claim" as to permit an entirely separate and distinct legal wrong based on different facts and a different theory to be joined with a claim for patent infringement.

Proof of infringement of respondent's patents consisted of facts showing the construction of the entire plow combinations made and sold by petitioner. These elements consisted of the Pursche patented combination as set forth by the Court below on page 3 of its opinion as follows:

> "* * * 'a frame, a longitudinal beam fixed on the frame and extended rearwardly, a plow [share] carrier mounted to turn on the longitudinal beam and provided with right and left-hand plows, and a power developing hydraulic cylinder assembly on the frame acting through a power transmitting connection to revolve the plow carrier in either direction . . . .' The 000 plow is supported by a wheel at either side and is pulled behind a tractor."

The opinion then goes on to briefly distinguish the other patents in suit.

Although some of the claims of the patents in suit include a "supporting wheel" or a "turning device", none of the claims of any of the respondent's patents

in suit relate to the details of construction of such wheels or of gear-type turning devices.

Proof of unfair competition consisted of:

(1) The license agreement between petitioner and respondent, particularly the provisions regarding the improvements acquired by petitioner relating to respondent's plow.

(2) Evidence relating to the ownership by petitioner of the "butterfly tail wheel", the "chain type tail wheel", and of the "gear-type turning device" improvements, which improvements were made by petitioner's employee, Roy L. Chandler, and which, being only parts of plows, would not constitute infringement of any of the respondent's patents.

(3) Evidence showing concealment of information concerning such improvements from respondent.

(4) Evidence showing use of such improvements by petitioner.

Proof of infringement of the patents would require no evidence whatever of items (1), (2) or (3) above, or the details of construction of item (4) above, and proof of items (1), (2), (3) and (4) above, would not establish infringement of any of the patents in suit.

Clearly, the two counts (1) for patent infringement and (2) of unfair competition do not merely allege different grounds of recovery founded upon substantially the same facts, but rather set forth causes of action which under the doctrine of *Hurn v. Oursler* and *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*,

supra, are separate and cannot be joined, since one is federal and the other non-federal.

6. It is respectfully submitted that 28 U. S. C. §1338(b) is clearly unconstitutional if the requirements of the phrase "related claim" in that statute are interpreted to be satisfied if "the claims have a common background with much of the evidence being pertinent to both", in accordance with the holding of the Court below.

Please note the limitations of Article III, Section 2 of the Constitution, which section reads as follows:

> "Section 2. The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;—to all Cases affecting Ambassadors, other public Ministers and Consuls;—to all Cases of admiralty and maritime Jurisdiction;—to Controversies to which the United States shall be a Party;—to Controversies between two or more States;—between a State and Citizens of another State;—between Citizens of different States;—between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof and foreign States, Citizens or Subjects."

Also please note the foregoing discussion of *Hurn v. Oursler* and *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, *supra*.

Iowa Law Review, Volume 37 (1951-52) at page 413, reads:

> "* * * The words 'claim' and 'cause of action' appear to be interchangeable under Section 1441(c) of Title 28, relating to removal jurisdiction, but 'claim' as used in Section 1338(b) could hardly mean a 'cause of action', for that would be in direct opposition to the careful distinction made by Mr. Justice Sutherland in the *Hurn* case. Such an interpretation would indeed make the statute doubtful under the Constitutional limits of federal judicial power. These circumstances suggest that the more suitable meaning to be attributed to the word 'claim' is 'ground for recovery' within Mr. Justice Sutherland's analysis.
>
> "The requirement that the federal claim be substantial is expressly set forth in the *Hurn* and *Nu-Enamel* cases. It is a reasonable qualification if the *Hurn* doctrine is not to be used as an instrument of enlarging federal jurisdiction to embrace cases that belong in state courts."

7. There has been no construction of this statute by this Court. This court in *Hurn v. Oursler, supra*, stated (at pp. 240-241):

> "A multitude of cases in the lower federal courts have dealt with the question in its various phases and have reached different conclusions. The opinions present a great variety of views and of differences. We shall not undertake to review these cases. A few out of many are mentioned in the footnote as illustrative of the confusion and as indicating the importance of attempting to formulate some rule on the subject. * * *"

The foregoing observation applies with even greater force today and clearly demonstrates the major importance of the question presented by this petition* An authoritative ruling on the question of dependent jurisdiction by this Court is plainly in the public interest, and is required to insure proper administration of justice.

Conclusion.

For the foregoing reasons, this petition for a writ of certiorari should be granted.

May 14, 1962.

Respectfully submitted,

R. WELTON WHANN,

ROBERT M. MCMANIGAL,

Attorneys for Petitioner.

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*According to the applicable Shepard's Citator (including the April 1962 issue) the statute has been cited in 47 decisions of the United States Court of Appeals and in 87 reported decisions of the Federal District Courts.

As the Court stated (footnote 5) in *American Securit Co. v. Shatterproof Glass Corp.*, 166 Fed. Supp. 813, 824, 825.

> "The Second Circuit has wrestled long and agonizingly with the jurisdictional relationship problem when unfair competition claims have been joined with patent, trademark and copyright claims in non-diversity cases: * * * (citing 11 cases)."

APPENDIX A.

Opinion of Court.

The Court: This method of deciding patent cases may not be the most satisfactory in the world to counsel, certainly you do not have the benefit of a long detailed analysis of everything, but I know about as much of this case as I will ever know even though you may have briefed it and I might have studied it later. And the advantage of making a decision from the bench is that at least you know what the decision of the Court is without waiting too long for it.

The first thing that must be decided in connection with the plaintiff's patents here is their validity, and the first thing in that connection is whether or not there was anticipation in the prior art.

Taking each one of the plaintiff's patents, I do not think there was any anticipation in any of the prior art which has been shown to this Court. Certainly in the prior art patents, and in the prior art, outside of the patents, all of the elements which were put together by the farmer, Mr. Pursche, to make a successful plow, that is, a useful rollover plow—and in my judgment a new one—were known. But he put them together in a combination which was, in my judgment, new and useful.

In this connection I have in mind the statement of [2715] this circuit in the Leishman case which was cited this morning, in 191 F. (2d), that the Court takes into consideration four things.

The first is the length of time that the art went through needing the invention and the length of time it went without it. Certainly the length of time that a rollover plow, a successful rollover plow which was

operable and which could be easily operated and which would not only plow shallow and merely scrape the surface of the ground, such as a cultivator or a harrow, but would actually turn the soil, was needed and it has been needed in the art for a long time.

A second element is the number of those who sought to meet the need and the period over which their efforts were spread. The prior art patents here showed that people attempted in the American scene (and disregarding the foreign patents), that people were attempting to meet this need as long ago as 1871. Certainly not the Capon nor the Unterilp patents, which are crude, and, in my judgment, neither of them would work—I think the Unterilp patent if it were built and put in the ground would break to pieces; I do not think it would hold together at all—so it could not have been a new and useful thing, and it did not anticipate the combination that is here.

I merely cite those to show how long other people had been at it. [2716]

The third element is how many others came upon the same idea and about the same time. Well, people were getting close to the idea when they got the Lindeman plow and when they got some of the Ferguson plows. But neither the Lindeman plow nor the Ferguson plow, in my judgment, anticipated the plow which Mr. Pursche inveted here.

The fourth element, and described as the most important of all, is the extent to which it superseded what had gone before. I think the evidence is pretty plain, in this case that the basic and general methods which were devolved by Mr. Pursche here, whether they are infringed or not is another question, but the basic and

general method has certainly superseded the prior art in plows. [2717]

So the Court must conclude that insofar as all five of the patents in suit—one, the '851, was stipulated out of the suit, am I correct?

Mr. Whann: That's right.

Mr. Lyon: That's right.

The Court: As to the five patents that remain in the suit, I do not think they are void for anticipation of the prior art.

Insofar as double patenting is concerned, I think the rule is correct that the double patent rule stems from the effort of the law to prevent an extension of the monopoly of the patent. Therefore, it would not apply to '089, '090, and '091.

I have again examined the claims in both '786 and in '284. In my judgment, while they are similar, I do not think they are sufficiently similar in either '786 or '284 as to amount to a double patent.

'786 and '284 are plows that are used differently. They do not have all of the elements of the claims that are in either of the three prior patents. All three of the prior patents were plows which required wheels on a frame separate and apart from the wheels of the tractor, and while in '786 and '284 many of the elements which are in the previous Porsche patents are present, I do not think, and I have read each claim, I do not think that I can read any one of the [2718] claims wherein it can be said that they have all of the elements so as to amount to a double patent.

The matter of the invalidity because of the failure of description of the patent has given me some considerable concern, especially in connection with '090. I

have again read all the claims there. I think the claim 1 of that patent is the only one that would be void because of the inaccuracy of description.

Insofar as infringement is concerned, I am satisfied that the claims in '089, 12, 13, 14, 15, and 16, and all of the claims in '090 except claim 1, and the claims in '091 are infringed by the defendant's B-1 plow.

I am satisfied that the claims as to the defendant's B-5 plow, not claim 1, but the other claims asserted, 3, 10, 12, 18, 25, 26, and 27 in '090, 1, 2, 3, 4, 5, 6, 8, 9, 12, 13, 14, and 15 in '786, and claims 3, 8, 10, and 15 in '284 are infringed by the defendant's B-5 tractor-mounted plow.

As to the defendant's B-3, B-4, B-6, and B-7, I think the defendants there took some of the things that the plaintiff had, but I think it is a different combination and I do not believe taken as a whole that it infringes the claims of the plaintiff's patent. When I say it is a different combination, it is a different combination in that it works differently, particularly with the two wheels riding on the unplowed ground, and particularly with the eccentric mounting of [2719] the plows, so it is the holding of the Court that B-3, -4, -6, and -7 do not infringe the plaintiff's patents.

We come now to the question of unfair competition. One difficulty with that cause of action in this case is that Chandler is not before the Court. I think that if Chandler were present before the Court, I would be bound to almost give the judgment as prayed for by the plaintiff. [2720]

But Chandler is not present before the Court, and the only parties who are here and who had their rights litigated, have been Pursche and Atlas, and therefore

any relief which this Court has the power to grant must be applied only as between those two parties.

The evidence shows clearly, in my judgment, that Chandler was an employee of Atlas, that he devised these means as the employee and the agent of Atlas, as demonstrated not only by the term of his employment, by the fact that he actually drew, for instance, the rough designs which were introduced in evidence of the turnover mechanism and various other drawings, but as demonstrated by the fact that Atlas at all times paid all expenses, lawyers' fees, patent application costs, everything else insofar as Chandler was concerned. Even so I cannot give any relief against Chandler.

So the question arises as to what relief can this Court give under this state of facts as against Atlas. In my judgment, the rollover mechanism which was used in the big type plow and in each of the Atlas plows, that is, the actuating rollover mechanism, whatever you want to call it, is the equivalent and a mere substitute for Pursche's.

Entirely aside from that, under the contract between Pursche and Atlas, Pursche is entitled to whatever benefits Atlas has out of the patent on the two tail wheels by Chandler and out of the patent that Chandler has and which is [2721] covered by a contract which is in evidence, Exhibits 43 and 44, concerning the actuating mechanism.

Moreover, in the plows which I have held are a new combination and which do not infringe Pursche's plow, Pursche is entitled to relief against Atlas from using that actuating mechanism in connection with those plows, because whatever Atlas got under that contract concerning that actuating mechanism, Pursche got. So if Atlas has a right to use it on the B-3, B-4, B-6 and

B-7 plows, then that right is Pursche's right and Pursche is entitled to an injunction, in my judgment, enjoining Atlas from using that actuating mechanism without his consent or in using the butterfly tail wheel or the other tail wheel, each of which, in my judgment, in addition to being covered by the contract is covered by Pursche's tail wheel and his combination, and enjoining them from using it without his consent.

I think that I have covered all of the issues which are necessary to a decision of the case. Does any occur to counsel?

Mr. Whann: I have just one question, your Honor, and that is in connection with the chain type tail wheel. Does your Honor have in mind that the evidence showed that that was not designed or did not come into being until after the termination of the contract?

The Court: Yes, I have that in mind. But, as I [2722] have pointed out a moment ago, there were two things which, in my judgment, justified the conclusion which I have made, and whatever Atlas has in connection with that Pursche has, that is, that not only Chandler was an employee and admittedly conceived some of these things before, but after he ceased to be an employee he actually was an agent of Atlas because they have continued to pay the attorney fees and all of the costs and everything relating to the patent. And there was no evidence of any contract as to the basis upon which that was done until the evidence concerning this contract, which did not come into being until the first of November, 1957, long after all of the money had been advanced and all of the work had been done.

* * *

[Endorsed]: Filed March 20, 1959.

APPENDIX B.

Opinion of the United States Court of Appeals for the Ninth Circuit.

Harry A. Pursche, Appellant, vs. Atlas Scraper and Engineering Co., a Corporation, Appellee.

Atlas Scraper and Engineering Co., a Corporation, Appellant, vs. Harry A. Pursche, Appellee. Nos. 16410, 16411. Dec. 12, 1961.

Appeals from the United States District Court for the Southern District of California, Central Division.

Before: Barnes, Jertberg and Koelsch, Circuit Judges Koelsch, Circuit Judge:

Harry A. Pursche filed a complaint in the district court charging Atlas Scraper and Engineering Co. with infringement of several patents and with unfair competition. He sought an injunction and damages. Atlas answered, denying generally these charges and affirmatively alleged the usual defenses. In addition, Atlas commenced a separate suit seeking a declaratory judgment of non-infringement and invalidity of those patents. The two actions were consolidated and tried to the court sitting without a jury. By a single judgment covering both actions the district court decided the issues for the most part in Pursche's favor. It granted Pursche an injunction and ordered an accounting.[1] The

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[1]The accounting has been held in abeyance pending appeal from the judgment. Jurisdiction of the interlocutory judgment in this patent suit is conferred upon this court by the provisions of 28 U.S.C.A. §1292 which in pertinent part provides:

"The courts of appeals shall have jurisdiction from:

* * * *

"(4) Judgments in civil action for patent infringement which are final except for accounting." See Patterson-Ballagh Corp. v. Moss, 201 F.2d 403, 408 (9th Cir. 1958).

suits are here on Atlas' appeal and Pursche's cross-appeal from the judgment.

Pursche's patents relate to a farm implement known as a "two-way" plow. The specifications of one of the patents states:

> "[T]wo way plows have been found to be superior to the conventional one-way plow in maintaining a level field so that hills and gullies are avoided and the irrigation of the field is facilitated. One gang of plows is employed while the device is pulled across the field in one direction and when the device is returned parallel to the furrow just completed the other gang of plows is used and accordingly no gully is formed. The usual leveling operations subsequent to plowings are thereby eliminated."

Pursche was not the first to conceive a two-way plow. It was a type of plow known to the art as early as the latter half of the nineteenth century and its many advantages have caused it to be subject of considerable attention on the part of inventors, manufacturers and those engaged in farming. As might be expected, many such plows differing in construction and manner of operation have been designed and built. Some of them have been the subject of letters patent, others have not, but in any event the idea is old and the field is crowded.

Pursche's patents are for improvements. Five of those patents are involved in this litigation, their numbers being respectively: 2,625,090; 2,625,091, 2,625,-

089; 2,633,780; and 2,659,284.[2] For convenience, each patent will be referred to in the remainder of this opinion by the last three of its numbers.

090 discloses the basic Pursche invention. Its principal feature, according to the finding of the district court, consists in the combination of "a frame, a longitudinal beam fixed on the frame and extended rearwardly, a plow [share] carrier mounted to turn on the longitudinal beam and provided with right and left hand plows, and a power developing hydraulic clylinder assembly on the frame acting through a power transmitting connection to revolve the plow carrier in either direction . . . ." The 090 plow is supported by a wheel at either side and is pulled behind a tractor.

091 is essentially similar to the plow of the 090 patent except for the plow tongue. Both plows possess swinging tongues, but because of differences in construction and location the tongue of the 091 plow reduces the stress that is transmitted to the frame when the plow is towed.

089 also represents a modification of the 090 plow. The change consists principally in the location of the apparatus that serves to raise and lower the frame of the plow in relation to its side supporting wheels.

284 possesses no side supporting wheels and consists of the 090 plow converted for mounting directly upon a tractor.

786 is likewise a tractor mounted plow especially adapted for use on a Ford-Ferguson tractor; this plow

[2] Pursche patent No. 2,655,851 and a plow of Atlas identified as a "B-2," initially involved in these suits were withdrawn from the litigation by the parties during the course of the trial.

is attached to the draft links and control arms with which that tractor is equipped.

Atlas is a long-time manufacturer of farm implements. Prior to 1948 Atlas had never made two-way plows but on April 3rd of that year it secured a license from Pursche, pursuant to a royalty agreement, to use the several inventions described and claimed in his patents and shortly afterwards commenced to manufacture and sell plows embodying those inventions. Atlas terminated the royalty agreement in 1952, but nevertheless continued to make and sell two-way plows hereafter referred to as the B-1, B-5 and "new style" Atlas plows. The B-1 "new-style" plows, like the plows of the 090, 091 and 089 patents, are tractor drawn and have frames supported by side wheels; the B-5 plow, like the 786 and 284 plow, lacks side wheels and is mounted directly upon the tractor.

The district court, in its judgment, held:

(A) All of the claims of the several patents in suit valid except claim 1 of the 090 which was held invalid.

(B) The Atlas B-5 plow infringed (a) claims 3, 10, 12, 18 and 25 to 27, both inclusive, of the 090 patent; (b) claims 1 to 9 inclusive, and 12 to 15 inclusive, of the 786 patent; and (c) claims 3, 8, 10 and 15 of the 284 patent.

(C) The Atlas B-1 plow infringed (a) claims 12 through 16 both inclusive, of the 089 patent; (b) claims 2 through 27 both inclusive, of the 090 patent; and (c) claims 6 to 9 inclusive, and 14, 15 and 22 of the 091 patent.

(D) The Atlas "new style" plow did not infringe any of the claims of 090 (this being the

only patent which Pursche asserted was infringed by the "new style" plow).

(E) That Pursche have judgment for unfair competition.

(F) That neither party have its costs.

The issues tendered by the appeal of each of the respective parties will be treated in the following order:

I. The validity of the five Pursche patents:
   a. 090
   b. 786 and 284
   c. 091 and 089

II. The infringement of the Pursche patents by the Atlas plows:
   a. The B-5 and B-1 plows
   b. The "new-style" plows

III. Unfair competition:
   a. Jurisdiction of the district court
   b. Sufficiency of the evidence

IV. Miscellaneous matters:
   a. Joinder of parties
   b. Inequitable conduct
   c. Rulings on evidence
   d. Costs

I. "On the major issue of validity we shall first inquire whether the conception for which the patent[s] w[ere] granted involves invention. Because of the lack of a definite rule, questions of this kind are often perplexing. It is a trite saying that invention defies definition. Yet, through long use, the word has acquired certain characteristics

> which at least give direction to its meaning. Invention is a concept; a thing evolved from the mind. It is not a revelation of something which exists and was unknown, but is the creation of something which did not exist before, possessing the elements of novelty and utility in kind and measure different from and greater than what the art might expect from the skilled workers." Pyrene Mfg. Co. v. Boyce, et al., 292 Fed. 480, 481, cert. den. 263 U.S. 723 (1923).

a. *The 090 Patent.* The conclusion of the district court that the plow disclosed by the 090 patent was a patentable invention rested upon the factual conclusion that the elements of the plow share carrier rotating device "performs an additional and different function in combination than they perform out of combination." The court particularly found that the component parts collectively "provide a close coupling relationship between the frame, plow carrier and hydraulic cylinder assembly which enables the operator to turn the carrier independently of forward motion and independently of the raising and lowering action and provides quick entry and exit with relation to the land with the result that the space required at the headlands for turn-around is substantially decreased with relation to prior art devices."[3]

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[3]Atlas contends that the following testimony of Pursche demonstrates that the 090 plow carrier cannot be turned without being raised

> "I don't believe it [the 090 plow] would turn over unless it was lifted, the way my plow is built."

However, in the course of his further testimony the witness stated in substance that the power cylinder on the 090 plow would probably not be strong enough to turn the plow shares while they are in the ground but that in any other position the plow carrier can readily be independently turned.

Atlas argues that the 090 patent was anticipated by other patents, principally those of Lindeman, Pridgen and Dexheimer. In the Lindeman patent 2,543,780, the lifting and rotating of the plow share carrier are accomplished by the same device and both operations occur simultaneously when the carrier is raised to a substantial height. Thus when the shares are disengaged from the ground, for example to avoid some obstruction in the path of the plow, the carrier revolves, bringing the opposite gang of shares into operation; in order to continue the same furrow it is then necessary for the operator to raise and lower the carrier a second time. In the Pridgen patent 2,227,306 the raising and turning operations are likewise combined. Although in the Dexheimer patent 2,009,740 the turning of the carrier may be accomplished separate from its raising, the means to accomplish this rotation differ significantly from those employed in the 090 plow in that the Dexheimer apparatus consists of a lever arrangement, "partly automatic" which requires manual manipulation, while the hydraulic cylinder assembly that serves as the means to rotate the Pursche invention is fully automatic. In the Capon patent 2,426,548, although the lifting and the turning of the carrier may be separately achieved, the latter operation cannot be carried out unless the plow is pulled forward for a distance, and our examination of the record discloses no other patent for a device that combines the features of the 090 patent. In sum, the finding that the 090 plow functions in a manner that sets it apart from any device found in the prior art is borne out by the evidence.

Atlas further contends that the assemblage of admittedly old elements forming the subject of the 090

patent claims are mere aggregations and not patentable combinations.

The distinction between an aggregation and a combination and tests to determine into which category a particular device falls is clearly stated by Professor Robinson in his work on Patents:

> "Where operations or instruments are thus united, one of two results must follow. Either each element remains unchanged in function and effect; or by the action of the elements upon each other, or their joint action on their common object, they perform additional functions and accomplish additional effects. The former union is a mere collocation or aggregation of the elements. Although they have been brought together in an apparent organism and rendered more available for use, they still remain the same distinct and independent means, still acting as so many separate units and not co-operating with each other to perform additional functions and accomplish additional results. Such unions, therefore, are not the creation of new means. They do not involve an exercise of the inventive faculties, nor can they be protected by a patent.
>
> * * * * *
>
> "But when these elements are so united that by their reciprocal influence upon each other, or their joint action on their common object, they perform additional functions and accomplish additional results, the union is a true combination. While every element remains a unit, retaining its own individuality and identity as a complete and operative means, their combination embodies an en-

tirely new idea of means, and thus becomes another unit, whose essential attributes depend on the co-operative union of the elements of which it is composed. Such a combination is a different invention from the elements themselves, whether considered in their separate or their aggregated state, the method of their cooperation in the combination being the result of the inventive act. Whether the elements are new or old, and whether they coact successfully or simultaneously is of no importance. To unite them in a new means by the exercise of inventive skill is invention and renders the combination, as an entirety, the subject-matter of a patent.

* * * * *

"This union of elemental instruments or operations in a new operation or instrument must necessarily produce effects beyond the sum of the effects producible by all the elements in their separated state. 'This is often the only test' by which a combination can be distinguished from an aggregation, and is the one usually applied by the courts. And it is certainly reliable. For since diversity of end necessitates diversity of means, if the new combination accomplishes results that could not have been achieved either by its individual or collective elements, their union must inevitably have brought into action some new or as yet unawakened energy, which constitutes a new and independent means." Vol. 1, Robinson on Patents, sections 154, 155 and 156. (Footnotes omitted.)

The distinctive feature in the 090 plow consisting of its ability to bring either of the two sets of plow shares

into operative position independent of any other movement is due to the power means consisting of the hydraulic cylinder. A joint or concerted action between the cylinder and carrier occurs when the power means is activated, causing the carrier to rotate; although the joint action continues only during the interval of rotation, yet the combination made by the joint action continues as long as it needs to continue. It is not necessary that the mutual interaction of the elements be constant in order for them to constitute a combination, Lyman Mfg. Co. v. Bassick Mfg. Co., 18 F.2d 29 (6th Cir. 1927); moreover, by reason of this combined action the 090 plow is able, as the trial court found, to perform its work with greatly increased efficiency and be maneuvered in the field much more readily and with greater facility than prior art devices. We conclude that the combination produces a new and useful result —a better means of plowing. Stearns v. Tinker & Rasor, 220 F.2d 49 (9th Cir. 1955).

Nor can we say that the combination was not the subject of a monopoly because the invention was the product of the skill of the mechanic rather than the "intuition of the inventor." National Hollow Brake-Beam Co. v. Interchangeable Brake-Beam Co., 106 Fed. 693 (8th Cir. 1901). For well over half a century inventors and mechanics had been striving to perfect a practical roll-over plow. In its effort to prove the invention disclosed in the 090 patent was anticipated by the prior art Atlas cited over 90 patents and publications relating to two-way plows; this is in itself cogent proof of the widespread demand for such plows and that con-

siderable effort and attention had been devoted by many persons to improving them. Reynolds v. Whitin Machine Works, 167 F.2d 78 (4th Cir. 1948). Several types that were manufactured were abandoned and there is no evidence that the bulk of the others were ever actually put into production. Atlas marketed a considerable number of plows embodying Pursche's invention during the period the licensing agreement was in effect and since that time International Harvester Co. has discontinued its own efforts to perfect a two-way plow and under license from Pursche manufactured and sold many such plows.

> "When the indicia of invention we mention are taken into account together with the true state of the prior art and what the patent in suit accomplished to improve the art, it must be concluded that it represents [patentable] invention." The Coleman Co. v. Holly Mfg. Co., 233 F.2d 71, 80 (9th Cir. 1956).

Atlas next attacks *each of the several claims* of the 090 patent on a number of grounds. In considering them we will follow Atlas' lead and separate the claims into two groups, discussing first what Atlas refers to as the "broad" claims and second, the "narrower" claims.

Falling into the first group are claims 1 through 5, 10, 12, 14, 17, 18, 19 and 25 through 27.

Atlas urges that none of the claims in this first group complies with the statutory requirement that a claim must distinctly describe and particularly point out the invention. It appears from the patent that claims 1 through 5, 10, 14, 17, 18, 19, 25 and 26 variously state that the plow is equipped with "means on the frame

adapted to turn the carrier" or "power means on the frame adapted to turn the carrier." Such broad and general descriptions apply equally to all mechanisms including the one found in the Capon patent which consists of gears connected to the wheels rather than the hydraulic turning mechanism possessed by 090. The phrase "power means" merely suggests the use of mechanical energy as opposed to manual energy and describes generally the mechanism of both plows.

With one exception all the other parts described in these claims can also be found in the Capon plow. Some of the claims, in addition to the rotating carrier, describe a tail wheel which runs on unplowed ground. The Capon plow did not possess such a wheel. However, the Unterilp patent, another member of the prior art, shows a plow with a wheel on the plow carrier attached like the one on 090.[4] "It is not necessary that all of the elements of the claim be found in one prior patent. If they are all found in different prior patents and no new functional relationship arises from the combination, the claim cannot be sustained." Eagle v. P. & C. Hand Forged Tool Co., 74 F.2d 918, 920 (9th Cir. 1935).

Since no new function nor any surprising or unusual circumstances would arise from placing the Unterilp tail wheel on the plow described in the Capon patent, we conclude that claims 1 to 5, 10, 14, 17, 18, 19, 25 and 26 of the 090 patent are invalid for they merely reiterate what already existed in the prior art.[5]

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[4]The Unterilp plow is disclosed in a German patent No. 49222 issued in 1889.

[5]The district court found that claim 1 of 090 was invalid because of its failure to include the longitudinal beam upon which the plow carrier is mounted to turn.

However, claims 12 and 27 point out specifically that the power means incorporated with the carrier to effect its rotation is a hydraulic cylinder assembly. This detailed description distinguishes these claims from the generality of the others and excludes the Capon and Unterilp plows from their limited scope.[6]

It is next urged that claims 12 and 27 are each invalid for their failure to set out what Atlas deems to be all the essential elements required to constitute 090 an operative machine.[7] We are directed to Goodman v.

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[6]Claim 12 of 090 reads:

"In a two-way plow assembly, the combination of a stationary beam member extending longitudinally in the direction of normal movement of the plow assembly, a carrier turnably mounted on said beam member between the ends thereof and provided with a right hand plow and a left hand plow, a cross member fixed relative to said beam member at a position in advance of said carrier and plows, means including a hydraulic power cylinder carried on the cross member for turning the carrier to bring either plow into operative position, and lift means connected with cross member for lifting the entire length of the beam member and thereby raising the carrier and plows out of ground-engaging position."

Claim 27 of 090 reads:

"In a two-way plow assembly, the combination of: a frame, a stationary longitudinal beam member fixed on and extending rearwardly from the frame, a carrier turnably mounted on the beam member and provided with ground-engaging plow means for producing a right-hand furrow or a left-hand furrow, power means for turning the carrier relative to the beam member including a torque receiving element fixed on the forward end of said carrier, a hydraulic power cylinder assembly mounted on the frame and having a power element movable in a plane normal to said beam member, and means including an intermediate power transmitting element operatively interposed between the power element and the torque receiving element, whereby the power cylinder assembly may turn the carrier in either direction."

[7]The following are the twelve parts which Atlas states must be included in order to make an operative construction: (1) a frame, (2) side-supporting wheels, (3) a means for raising and lowering the frame relative to the wheels, (4) a horizontally swingable tongue, (5) a means for shifting the tongue, (6) a longitudinal beam, (7) a carrier, (8) right and left hand plows, (9) a rotating means, (10) a thrust collar, (11) a stop to arrest rotation of carrier, and (12) a rear supporting wheel.

Super Mold Corp. of California, 103 F.2d 474 (9th Cir. 1939), as authority for the proposition that a claim is invalid unless it teaches the entire machine. We do not so read that case. There the court had under consideration the validity of a number of claims contained in a patent for a machine to retread worn automobile tires. Specifications and drawings of the machine as shown in the patent disclosed the device constituting the purported invention consisting of two rings, one on either side of the tire. These rings served to press the tire against the mold that comprised one of the components of the entire machine. But the claim relating to this particular device omitted from its description one of the two rings. In sustaining the attack that this claim was incomplete with the meaning of 35 U.S.C.A. §33 (now 35 U.S.C.A. §112) the court observed that the operation of that particular device "depend[ed] upon the combination with a ring on each side of the tire. The patent d[id] not teach the use of a single ring. . . ." That claim was held incomplete not because of its failure to describe the entire retreading machine in which the rings were incorporated, but because of the omission from the claim of one of the essential parts that rendered that particular device functional.[8]

It has long been recognized that claims for combinations and also sub-combinations may be validly allowed by the patent office (Special Equipment Co. v. Coe, 324 U.S. 370, 377 (1945)), and that a claim need not include all the elements necessary to make up a complete operative device. Deering v. Winona Harvester Works, 155 U.S. 286, 302 (1894); Clark Blade and

[8]One of the other claims calling for both rings was held valid and infringed.

Razor Co. v. Gillette Safety Razor Co., 194 Fed. 421, 423 (3rd Cir. 1912); Walker on Patents, Vol. 2, sec. 166; Ellis' Patent Claims, sec. 139. The applicable rule is well stated in Ellis' Patent Claims on page 168:

> "Every claim need not include all novel elements in the machine. All that is required is that each claim covers a patentable invention. A complete machine may embody numerous inventions, the number of which depends on how many combinations and permutations of elements, each patentable per se, are included in the entire machine. A claim, therefore, need not include elements not essential to the definition of the particular invention that claim is drawn to cover."

The rule and the rationale given by the Supreme Court stated in Deering v. Winona Harvester Works, 155 U.S. at 302 is this:

> "Admitting that additional elements are necessary to render the device operative, it does not necessarily follow that the omission of these elements invalidates the claim, or that the precise elements described in the patent as rendering it operative must be read into the claim. . . . Otherwise the infringer might take the most important part of a new invention and, by changing the method of adapting it to the machine to which it is an improvement, avoid the charge of infringement."

In the instant case, claims 12 and 27 of the 090 patent set out all the necessary parts of a patentable combination.

Nor do any of the remaining attacks on these two claims have merit. Under the doctrine of "late claiming" as exemplified in such cases as Muncie Gear Works

v. Outboard Marine & Mfg. Co., 315 U.S. 759 (1942), a supplemental claim adding new matter to a pending patent application is invalid where intervening use or sale of a device described in the supplemental claim occurred more than one year prior to the filing of that claim. 35 U.S.C.A. §102 (b). It is true that in this case the 090 plow had been in public use for nearly four years before Pursche supplemented his pending patent application with claim *27*. But the scope of the invention stated in several claims initially made in that application extended to and included the matter covered in claim *27*. Claim *27* added nothing new to the application.

Nor is the claim invalid for overclaiming. Pursche is not, as Atlas apparently believes, claiming an improvement to a turning means that is old in the art, but instead is claiming what we have already determined is an entirely new combination that performs a new function over prior art devices. Thus the rule in Lincoln Engineering Co. v. Stewart-Warner Corp., 303 U.S. 545, 549 (1938) that: ". . . the improvement of one part of an old combination gives no right to claim that improvement in combination with other old parts which perform no new function in the combination" has no application. Rather, the correct principle is the one stated in Expanded Metal Co. v. Bradford, 214 U.S. 366, 381 (1909):

> "It is perfectly well-settled that a new combination of elements, old in themselves, but which produce a new and useful result, entitles the inventor to the protection of a patent."

The second group of claims which Atlas attacks is comprised of claims 6 to 9, 11, 13, 15, 16 and 20 to

24 of the 000 patent. All these claims except 11, 13 and 15 relate not only to the rotating of the carrier but also to the lateral shifting of the tongue used to draw the plow. They teach that the carrier is turned and the tongue shifted simultaneously by reason of the interconnection of the respective hydraulic cylinder power means which jointly operate both tongue and carrier.

Atlas urges that even if some "improvement, change or added feature" which might constitute a patentable novelty is present in any claim that, nevertheless such claim indiscriminately includes and comprehends combinations known to the prior art and fails to point out and clearly claim the particular subject of the patent.

Atlas relies on Evans v. Eaton, 20 U.S. 355 (1822); there a patentee claimed the whole of a machine called a "hopper boy" employed in the manufacture of flour, although his invention merely related to an improvement of a part of the entire machine. The Supreme Court struck down the claim, saying at page 430:

> "If the same combinations existed before, in machines of the same nature, up to a certain point, and the party's invention consists in adding some new machinery, or some improved mode of operation, to the old, the patent should be limited to such improvement, for if it includes the whole machinery, it includes more than his invention, and therefore, cannot be supported."

But this principle is not applicable for here the patent, although teaching a machine that is made up of parts found by the trial court to be old in the art, combines those parts in a way that results in a substantially new and different machine. The only evidence in the record

to the effect that any single prior art device anticipated the interconnecting power means claimed by Pursche consists of this passage appearing in a German patent issued to one Weylmuller in 1941:

> "Finally, there is still another known device whereby the unbolting and the rotating of the Grindel and of the plow body chassis are affected by the driving power of the towing motor, and the pulling shaft is shifted as a result of its firm connection with the Grindel which is produced by means of a Cardonic suspension and a chain."[9]

This casual and vague reference amounting at most to an opinion of the patent officer of a foreign country regarding the operation of some device but lacking any description of its construction cannot be considered substantial evidence on the issue of anticipation.

> "An American patent is not anticipated by a prior foreign patent, unless the latter exhibits the invention in such full, clear, and exact terms as to enable any person skilled in the art to practice it without the necessity of making experiments." Carson v. American Smelting & Refining Co., 4 F.2d 463, 465 (9th Cir. 1925).

Similarly, a survey of the entire field demonstrates that Pursche's plow is not a mere aggregation of some or all of the many prior art devices. Dissecting old machines, taking elements from each and verbally constructing the Pursche 090 plow does not aid Atlas for Pursche is not claiming as his invention the individual parts but their new relationship together which

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[9]After searching the briefs, the record and the numerous dictionaries for an explanation of the word "Grindel" we have remained unenlightened as to its meaning.

achieves what the district court found to be the answer to the need in the two-way plow art.[10]

Atlas argues that claims 11 and 13 of the patent are misdescriptive in that they describe the "lift means" for raising and lowering the plow share carrier as "connected with the cross-member" of the plow frame, whereas the drawings that accompany the patent show the "lift means" are not attached to the cross-members but instead are fastened to the side members of the frame. We think the argument is not only patently tenuous but requires a hypercritical reading of the claims. If by "lift means" Pursche meant the device that serves to raise the carrier rather than the mode of performing the raising and lowering function, nevertheless the "lift means" are attached to the side members of the frame of the plow and these side members in turn are attached to the cross-member designated in the

[10]In regard to the "narrower claims" our survey of the prior art has included:

UNITED STATES PATENTS

Number	Name	Date
120,572	Chapman	1871
123,330	Chapman	1872
1,189,524	Baal	1916
1,908,095	York	1933
2,187,380	Kaltoft	1940
2,269,502	Wilson	1942
2,316,397	Briscoe	1943
2,327,927	Orelind	1943
2,410,918	Acton	1944
2,426,548	Capon	1947

FOREIGN PATENTS

Number	Country	Name	Date
49,222	Germany	Unterilp	1889
468,127	Great Britain	Melotte	1937
494,750	Great Britain	Melotte	1937
715,047	Germany	Weylmuller	1941

UNPATENTED DEVICES

Atlas Scraper Wagon

Improved "Tumblebug" plow

two claims.[11] Although the "lifting means" are not directly connected to the cross-member they are joined to it by that intermediate connection, and are therefore "connected with the cross-member."

Moreover, as a legal proposition the argument is likewise unsound; every embodiment of an invention need not be described in the specifications nor illustrated by the drawings in a patent so long as the form of the device is not the principle of the invention.

> "It is enough if the invention be described together with that mode which is conceived to be the best for putting it into practical use; and where that has been done, the patent is not confined to the precise mode outlined.", Chicago Pneumatic Tool Co. v. Hughes Tool Co., 97 F.2d 945, 946 (10th Cir. 1938); see also, Cameron Iron Works v. Stekoll, 242 F.2d 17, 20 (5th Cir. 1957).

Conversely stated, the claims need not set out the exact same structures as are shown in the drawing or described in the specifications so long as the differences between them do not encompass the invention itself.

The essential features of the invention are stated whether the "lifting means" is directly or remotely connected to the cross-member.

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[11] 35 U.S.C.A. §112 in part reads as follows:

"The specification shall contain . . .

"The specification shall conclude with one or more claims . . .

"An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

I. b. *The 780 and 284 patents.* Atlas attacks both the 780 and 284 patents on numerous grounds, the first being that they violate the rule against double patenting.[12]

The district court found that the elements comprising the plowing assembly of the 784 and 284 plows as well as the 090 plow patents are essentially the same and are embraced in the claim of all three patents, but nevertheless concluded that what was claimed in both 780 and 284 was patentable invention.[13] The inventive feature in the 780 patent was found to exist in the "hitch-mounting for a 'Ford-Ferguson' type tractor with power draft links and . . . construction wherein the weight of the two-way plow assembly is effective to assist in turning the plow carrier on the longitudinal beam of the frame" while in the 284 patent the district court concluded that the invention lay in the "direct mounting connection for a two-way plow for support on the rear of a tractor, the support means on the plow being mounted at opposed ends of a cross-member of the frame, thereby producing a close-coupling connection to minimize rearward extension of the parts of

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[12] ". . . two valid patents for the same invention cannot be granted either to the same or to a different party." Miller v. Eagle Co., 151 U.S. 186 at 197 (1893).

[13] Finding 12 reads in part:

"Each of the two-way plows constructed by the party Harry A. Pursche and as shown in the drawings of Patent Nos. . . . 090, . . . 780 and . . . 284 included a frame having a longitudinal beam, a carrier mounted to turn on the beam, right and left hand plows mounted 180° apart on the carrier, and hydraulic power beams mounted transversely on the frame adjacent the forward end of the carrier for turning the carrier on the longitudinal beam to bring either of the plows into operative position. Each plow device also included a thrust collar-mounted at the rear end of the longitudinal beam for applying draft force to the carrier. . . ."

the plow and thereby minimize 'bucking' or undesirable lifting of the front end of the tractor."

Pursche concedes that claims 12 and 27 of the 090 patent read squarely on the disclosures contained both in the 786 and the 284 patents, but he points out that the plows in the latter two patents are tractor mounted rather than wheel supported; he also notes that because of this difference the claims in the latter two patents on which 090 reads include means for attaching the plows to tractors which the 090 patent does not possess and he argues that since the claims of 786 and 284 do not read on 090 they must be held valid.

It is true that some of the elements making up the combinations claimed in 284 and 786 are not present in the claims of 090. Nevertheless, this does not necessarily conclude the issue; ". . . mutual cross reading of the claims of an application and patent may be a factor in determining whether double patenting exists; but it is not indispensable to a holding of double patenting. It is axiomatic that if two patents are to be granted there must be two inventions present." Application of Ward, 230 F.2d 428 at 433 (C.C.P.A. 1956).

In the case at hand the claims of 786 and 284 patents embrace the actual plowing assembly which was the subject of the claims of the 090 patent plus the means by which the plowing assembly is atfached to the towing vehicle. However, members of the prior art similarly attached their plowing assemblies directly to the rear of the tractors and clearly anticipate the means for doing so claimed in the 786 and 284 patents.[14]

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[14]The Ferguson patent, No. 2,223,002; the Lindeman patent, No. 2,543,786; and the Dexheimer patent, No. 2,609,740.

When this is added to the fact that Pursche had already received protection for his assembly of parts which actually perform the plowing, the conclusion that 780 and 284 are not inventive, becomes inescapable. Application of Asseff, 173 F.2d 253 (C.C.P.A. 1949); Oliver Sherwood Co. v. Patterson-Ballagh Corp., 95 F.2d 70, 78 (9th Cir. 1938).

We are, of course, aware that the applications for the 780 and 284 patents were co-pending with, but issued several months later than, the 090 patent; and that, while co-pending applications "... are not technical references in the sense that a timely granted patent to a third person might have been, it is ... perfectly proper to look to them for what they claim, and when two applications are presented to an inventor it is proper to hold the one unpatentable in view of the prior art and the claims upon which the other was patented." In Re Mason, 62 F.2d 185, 187 (C.C.P.A. 1932).

Nor is the turning of the carrier through the use of its own weight (as claimed in 780) or the minimization of the bucking of the tractor by the relocation of the plowing assembly (as claimed in 284) such an unusual or surprising consequence as to elevate the aggregation of old elements to the level of patentable invention. A. & P. Tea Co. v. Supermarket Corp., 340 U.S. 147, 152 (1950).

This conclusion makes it unnecessary to discuss any of the Atlas remaining points regarding these two patents.

I. c. *Patents 091 and 089.* The district court held that claims 6 to 9 inclusive, 14, 15 and 22 of the 091 patent and claims 12 to 16 inclusive of the 089 patent were valid. But Atlas argues that both patents violated

the rule against double patenting as expressed in McCreary v. Pennsylvania Canal Co., 141 U.S. 459, 467 (1891):

> "It is true that a combination of the earlier patent in this case is substantially contained in the latter. If it be identical with it or only a colorable variation from it the second patent would be void as a patentee cannot take out two patents for the same invention."
>
> "The rule against double patenting is based upon the idea that the power to create a monopoly is exhausted by the first patent, and that a new and later patent . . . would operate to extend or prolong the monopoly beyond the period allowed by law." J. R. Clark Company et al. v. Jones & Laughlin Steel Corp., 288 F.2d 279, 281 (7th Cir. 1961).

Illustrative of the situations where this rule is applied are Miller v. Eagle Mfg. Co., 151 U.S. 186 (1894) and Weatherhead Co. v. Drillmaster Supply Co., 227 F.2d 98 (7th Cir. 1955). In both those cases a second patent issued for essentially the same invention was held void. In each instance the facts as set out in the opinions disclosed that the patent struck down had been issued several months after the first; to uphold the second patent as valid would have unduly extended the patentee's monopoly. But the facts in the instant case are significantly different from those in *Miller* and *Weatherhead*.

Patents 090, 091 and 089, their applications being filed in that chronological order, were all issued to Porsche on the same date—January 13, 1953 and they

both refer to 090 and expressly state that they extend to "improvements" on the invention embodied in 090.[15] Unless void because they violate the rule, the two later filed patents will expire at the same time as the 090. There would be no extension of the patent monopoly. The decisions on this point are to the effect that the rule will not operate where the reason for its application is absent. A typical statement appears in Theroz Co. v. United States Ind. Chemical Co., Inc., 14 F.2d 629, 640 (D.C. Md. 1926), aff'd 25 F.2d 387:

> "Since the patentee is the same in both instances, the second . . . . patent is not invalidated by the application for the first. Deister Concentrator Co. v. Deister Machine Co., (C.C.A.) 263 F. 710. It is true in the case at bar, as in the case cited, that although the claims in the second patent might have been joined with the claims of the first, no damage to the public resulted from their separate presentation, in view of their simultaneous issuance, and it is quite clear that no fraud was practiced or intended by the applicant." See also, J. R. Clark Co. v. Jones & Laughlin Steel Corp., *supra*.

We agree with the statement last quoted and find it applicable here. We conclude that claims 6 to 9, 14,

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[15] In the first paragraph of the specifications of the 091 patent Pursche said:

> "This invention relates to a two-way plow and is particularly directed to improvements over the construction disclosed in my co-pending application . . . [for patent 090]."

In the corresponding paragraph in the 089 patent he likewise said:

> "This invention relates to agricultural implements and is particularly directed to improvements in a two-way plow. The present invention relates generally to the type of plows illustrated in my co-pending applications . . . [091] filed July 14, 1947 and . . . [089], filed July 17, 1947."

15 and 22 of the 091 patent, and claims 12 to 16 inclusive of the 089 patent are valid.[16]

II. The infringement of the Pursche patents by Atlas plows:

a. *The B-5 and B-1 plows.* The district court, as previously mentioned, held Pursche's patents valid and concluded Atlas' B-1 and B-5 plows infringed them; except as to several claims of Pursche's patent, which were held to be infringed by the B-5 plow, Atlas did not specify the court's rulings as errors. Rather, Atlas urged on appeal that the Pursche patents were invalid and sought on that basis to avoid liability on the doctrine that there can be no infringement of an invalid patent. Hoover Co. v. Mitchell Mfg. Co., 269 F.2d 795 (7th Cir. 1959); Bergman v. Aluminum Lock Shingle Corp., 251 F.2d 801 (9th Cir. 1958). It follows that so far as we have concluded the claims of the Pursche patents were valid, Atlas has conceded their infringement by his B-1 and B-5 plows; the only matter presented to us is whether the B-5 plow infringes the 786 patent; but this requires no discussion since we have held that the 786 patent was anticipated by the prior art and cannot stand.

b. *The Atlas "new style" plow.* The question considered under this heading is whether the "new style" plow infringed Pursche's 090 patent and is tendered by Pursche's cross-appeal.

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[16]Atlas has attacked these claims with the same arguments which he used against the "narrow" claims of 090, namely, that they are anticipated by the prior art, are mere aggregations, and that they overclaim their inventions. However, what we said in sustaining the validity of the "narrow" claims of 090 applies equally here.

The term "new style" plow refers to four plows manufactured by Atlas and designated in the record as its "B-3, B-4, B-6 and B-7" models. These four plows possessed common characteristics, were constructed substantially alike, and are referred to by the parties as the Atlas "new style" plow. For convenience, we too will adopt that designation.[17]

The district court held the "new style" plow did not infringe the 090 patent; its conclusion was predicated upon the finding that the "new style" plow ". . . works differently [from the plow in the 090 patent], particularly with the two wheels riding on the unplowed ground and particularly with the eccentric mounting of the plows." We conclude that this finding is supported by substantial evidence.[18] Graver Mfg. Co. v. Linde, 339 U.S. 605, 609, 610 (1950); Moon v. Cabot Shops, Inc., 270 F.2d 539 (9th Cir. 1959).

Atlas concedes that the claims of the 090 plow read on the "new style" plow, but this is not conclusive on the question of infringement. "Infringement is not a mere matter of words." Grant v. Koppl, 99 F.2d 106, 110 (9th Cir. 1938). In order to constitute infringement there must also exist substantial identity of function, means, and result. Martin v. Ford Alexander Corp., 160 F.Supp. 670 (D.C. S.D. Calif. 1958). The

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[17]There is another Atlas plow known as the B-2 model, but this was withdrawn from the litigation by stipulation of the parties.

[18]We are aware that a patent was granted for the combination comprising the "new style" plow, but we put that fact aside. Although the granting of a patent carries with it a presumption that the invention claimed there is patentable there is no presumption that the invention does not infringe an earlier issued patent. Jonas v. Roberti, 7 F.2d 503 (9th Cir. 1925); Bake-Rite Mfg. Co. v. Tomlinson, 16 F.2d 556 (9th Cir. 1926).

turning of the carrier in the respective plows is effected in the same manner and to that extent plows are similar in their mode of operation, but nevertheless, the mechanical construction of the carriers of the two plows differs in material respects. All the shares on the Pursche plow are located within the track of the side supporting wheels of the frame, while in the "new style" plow the farthermost share of the several comprising each gang of plows extends beyond the outer side of either wheel. The shares in both machines lie to the rear of the wheels. Thus, when the plows operate, one wheel of the 090 plow runs in plowed ground and the other rests on unplowed ground whereas both wheels of the "new style" plow travel on unplowed ground. According to the expert witnesses substantial advantages resulted to the "new style" plow because of this difference: the "new style" plow is able to obtain full furrow depth on the first run but the Pursche plow requires three to five passes to do so; the Atlas plow runs evenly whereas in the Pursche plow unevenness frequently occurs due to clods of earth falling into the furrow in which the wheel is traveling; the Atlas plow can readily straighten the furrow but since the wheel of the Pursche plow "tracks" in the furrow this operation in the latter plow might require "fifteen to twenty rounds to get that field straightened out again. It is a very difficult problem."

The district judge, in his role of fact-finder, had the two plows before him and at a demonstration observed them in operation; he was in much better position that we to determine whether the testimony was borne out and we cannot conclude that his conclusion was erroneous.

III. *Unfair Competition.*

Atlas attacks the judgment of the district court determining it was guilty of unfair competition. It urges two grounds for reversal: (a) lack of jurisdiction of the district court over the subject matter, and (b) insufficiency of the evidence to support the judgment.

a. Both parties are citizens and residents of the State of California and therefore jurisdiction of the district court to entertain the claim must be rested (if it existed at all) on 28 U.S.C.A. §1338(b). That subsection provides:

> "The district court shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trademark laws."

Atlas argues first that the claim in question is not one of unfair competition and second that it is not "related" to the claim for the alleged infringement as required by the statute. The contention advanced is that unfair competition is a tort consisting of the violation of a duty rather than the breach of a consensual agreement; that the gist of Pursche's claim is Atlas' breach of promise contained in the royalty license agreement rather than the omission of any duty with the result that the dependent claim does not constitute the tort of "unfair competition." However, the gravamen of Pursche's dependent claim is not Atlas' breach of contract, but rather the activity that followed the breach, more specifically, the utilization and sale of devices which Atlas was able to manufacture because of the knowledge it had received from Pursche's confidential disclosures and from the improvements to which

Porsche was allegedly entitled under the licensing agreement.

The Supreme Court in Schechter Corp. v. United States, 295 U.S. 495 at page 531 (1935), recognized that: "Unfair competition, as known to the common law is a limited concept. Primarily, and strictly, it relates to the palming off of one's goods as those of a rival trader. . . . In recent years, its scope has extended. It has been held to apply to misappropriation as well as misrepresentation, to the selling of another's goods as one's own,—to misappropriation of what equitably belongs to a competitor. . . . Unfairness in competition has been predicated of acts which lie outside the ordinary course of business and are tainted by fraud, or coercion, or conduct otherwise prohibited by law."

Atlas' right to manufacture and sell plows embodying Porsche's inventions and improvements ceased upon the termination of the licensing agreement. If Atlas thereafter continued to make use of Porsche's property in its business, this constituted unfair competition within the meaning of section 1338 (b). Schreyer v. Casco Products Corp., 190 F.2d 921, (2d Cir. 1951).[19]

On the issue of lack of jurisdiction Atlas further argues that the facts on which the claims of infringement and unfair competition are grounded are not the same and that therefore 28 U.S.C.A. §1338 (b) cannot operate to permit the joinder of the two claims.

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[19]We do not reach the question whether a breach of contract can also be unfair competition. But see, Telechron, Inc. v. Parissi, 197 F.2d 757 (2d Cir. 1952); and Judge Clarke's dissenting opinion in Kleinman v. Betty Dain Creations, 189 F.2d 546 (2d Cir. 1951).

There is some conflict among the circuits over the construction of the phrase, "related claim" appearing in this statute; some require that "both the federal and non-federal causes rest on substantially identical facts." (Powder Power Tool Corp. v. Power Actuated Tool Co., 230 F. 2d 409, 413 (7th Cir. 1956); Landstrom v. Thorpe, 189 F.2d 46 at 51 (8th Cir. 1951)) while others are satisfied if there exists a "considerable overlap in their factual basis" and if a substantial amount of the evidence of one claim be relevant to the other. Maternally Yours v. Your Maternity Shop, 234 F.2d 538 at 543 (2d Cir. 1956); Lyon v. Quality Courts United, 249 F.2d 790 at 795 (6th Cir. 1957); see also, Moore's Federal Practice, Vol. 1, pages 658 to 659.[20]

> "In construing the sections of Title 28, weight should be given to the reviser's notes which were included in the committee reports when the legislation was before Congress. [Citations omitted.] The reviser's note to section 1338 states:
>
> Subsection (b) is added and is intended to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court."[21]
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> Stauffer v. Exley, 184 F.2d 962 at 964 (9th Cir. 1950).

We conclude that the more liberal construction of this statute exemplified by the *Maternally Yours* and *Lyon*

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[20]The Second and Sixth Circuits once followed the stricter view. See Kleinman v. Betty Dain Creations, Inc., supra, at 1 French Renovating Co. v. Ray Renovating Co., 170 F.2d 945, 947 (6th Cir. 1948).

[21]See Judge Clarke's dissent in Kleinman v. Betty Dain Creations, Inc., supra, at page 351, fn. 6.

decisions better serves to attain the legislative purpose than the more restrictive construction reflected in Landstrom v. Thorpe, *supra*, and that the instant case is of the type to which section 1338 (b) applies. Unlike Dubil v. Rayford Camp & Co., 184 F.2d 899 (9th Cir. 1950), where the operative facts were found to be "very different" the claims of infringement and unfair competition in the instant case have a common background with much of the evidence being pertinent to both.

III. b. We turn next to questions concerning the sufficiency of the evidence to support the findings of the trial court that Atlas competed unfairly with Pursche.

The licensing agreement contained, among others, the provision that, to the extent of Atlas' interest therein, all improvements, modifications and betterments to Pursche's inventions which Atlas conceded were acquired while the agreement was in force, belonged to Pursche; it further provided that Atlas should promptly disclose and transfer by proper assignment all such inventions to Pursche.

The essence of the claim of unfair competition is Atlas' wrongful concealment of information concerning improvements made to the Pursche plows by its employee, Roy L. Chandler.

Chandler was orally hired by Atlas in November 1950 and continued in that employment for nearly six years. During this period he filed applications for patents embodying three inventions relating to two-way plows and joined with one Claude B. Ogle Jr. in applying for a fourth. Thus on May 29, 1952, Chandler applied for a patent for a gear type device to turn the plow share carrier on the longitudinal beam; in 1953 he applied for

patents covering two more inventions, both consisting of new types of tail wheels referred to as the "butterfly tail wheel" and the "chain type tail wheel." In 1954 Chandler and Ogle jointly sought a patent for a plow which incorporated the gear-type turning device of his former application.[22]

Pursche's claim of unfair competition has merit only if Atlas was entitled to the improvements and betterments reflected in those patents. This, in turn, depended on the terms of Chandler's employment by Atlas. If Chandler was hired for the express purpose of originating for his employer's benefit, inventions relating to two-way plows, then Atlas was entitled to any such invention. Standard Parts Co. v. Peck, 264 U.S. 52 (1923). Similarly, if though not initially employed for the purpose of exercising his inventive ability for his employer, Chandler nevertheless was thereafter directed to devote his talents to that end, then the product of his later efforts likewise was the property of Atlas. Forberg v. Servel, Inc., 88 F.Supp. 503 (D.C. S.D. N.Y. 1949). Conversely, if Chandler's employment was general then Atlas was not entitled to his inventions but at most acquired a shop right or license to use as distinguished from the ownership or right to ownership of the inventions.[23] And since a "shop-right" is personal

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[22]Patents for these inventions were thereafter issued, their respective numbers being 2,817,241; 2,842,038; 2,773,439; and 2,830,519.

[23]"The so-called shop right . . . shortly stated is that where a servant during his hours of employment working with his master's materials and appliances conceived and perfects an invention for which he obtains a patent he must accord his master, a non-exclusive right to practice the invention." United States v. Dubilier Condenser Corp., 289 U.S. 178 at 188 (1932). See also, Consolidated-Vultee Aircraft Corp. v. Garbell, 204 F.2d 946 (9th Cir. 1953).

to the employer and cannot be the subject of transfer to another (Hapgood v. Hewitt, 119 U.S. 226 (1886)), no right of Atlas to the invention could pass to Pursche by virtue of the licensing agreement.

The district court found that the two tail wheels in the gear type roll-over mechanism disclosed and described in the several Chandler patents "were improvements, modifications and betterments upon the Pursche plows and were made or conceived within the terms of the license agreement . . . and were made within the provision of said agreement and though the efforts and under the control of the party Atlas . . . and its employee, Roy L. Chandler." It further found that "said inventions, improvements, modifications and betterments of Roy L. Chandler were made in the course of his employment as an engineer and designer while working on projects assigned to him by the management of the party Atlas. . . . And that . . . Atlas concealed from the party Harry A. Pursche development activities of its employee Roy L. Chandler in two-way plows." On the basis of these findings the district court concluded that the concealment of the improvements made by Chandler and their continued use by Atlas "did and does constitute unfair competition as to the party Harry A. Pursche."

Atlas makes a dual attack on the court's findings; first, it vigorously argues that all the evidence was to the effect that Chandler was hired by Atlas as a detail draftsman under a general contract of employment and not as an engineer and designer and that at no time pertinent to the development of his inventions was Chandler directed or commissioned by Atlas to make any improvements to two-way plows for Atlas' benefit.

Secondly, Atlas contends that regardless of the nature of Chandler's employment and contrary to the court's finding that all three of the devices whose use by Atlas was held to constitute unfair competition, the evidence conclusively demonstrates that two of those inventions were made and conceived long after the licensing agreement was terminated.

Atlas makes a persuasive argument. The court's findings were contrary to the direct testimony on the subject, but this evidence was all adduced from interested witnesses and was countered by substantial mute evidence from which the facts found by the trial court can be inferred. We are not convinced that the several findings of the district court are "clearly erroneous" as that term is defined in the much cited case of United States v. U.S. Gypsum Co., 333 U.S. 364 at 395 (1948).

IV. Miscellaneous matters:

a. *Joinder of parties.* Atlas next asserts that the district court injunction prohibiting Atlas from competing unfairly with Pursche by using the Chandler patents has deprived Chandler of property in violation of the due process clause of the federal constitution. Chandler was not named as a party to either of these suits but it appeared during the trial that shortly before that time he had granted Atlas an exclusive license on a royalty basis to practice his three inventions; no royalties will accrue to Chandler unless Atlas uses those inventions.

Atlas does not elaborate upon its argument nor refer us to any statute or case law relating to a situation of this sort but from the statements appearing in its brief we construe the contention to be that Chandler

was an indispensable party to the litigation.[24] See 41 Yale Law Journal 1241 at 1242.

In State of Washington v. United States, 87 F.2d 421, 427 (9th Cir. 1936), this court declared that a person not party to the suit who was interested in the controversy and whose interest was such that a decree could not be made without adversely affecting that interest, was an indispensable party; it also stated that the non-joinder of an indispensable party is a fatal error and the court cannot proceed to a decree in the absence of such indispensable party. It follows as a necessary corollary that a decree entered by the district court in the absence of an indispensable party must be set aside on appeal. McShan v. Sherill, 283 F.2d 462 (9th Cir. 1960).

But we are of the opinion that Chandler had no interest in the controversy requiring his joinder as a party. The injunction was directed against Atlas to prevent conduct that was tortious because it violated a duty arising from an agreement entered into between Pursche and Atlas; Chandler was not party to that agreement, gained no rights through it nor did the decree upon which the injunction issued adjudicate any right of Chandler derived from his own separate agreement with Atlas.

> Ordinarily where the rights involved in litigation arise upon a contract, courts refuse to adjudicate the rights of some of the parties to the contract if the others are not before it. *Shields v. Barrow*,

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[24] The objection to the trial proceeding without Chandler was not made in the trial court but was raised the first time on appeal; but nevertheless Atlas may still urge the matter. McShan v. Sherrill, 283 F.2d 462 (9th Cir. 1960).

17 How. 130, 140; *Carroll v. New York Life Ins. Co.*, 94 F.2d 333; *cf. Waterman v. Canal-Louisiana Bank Co.*, 215 U.S. 33, 48. Such a judgment or decree would be futile, if rendered, since the contract rights asserted by those present in the litigation could neither be defined, aided nor enforced by a decree which did not bind those not present.

"But different considerations may apply even in private litigation where the rights asserted arise independently of any contract which an adverse party may have made with another, not a party to the suit, even though their assertion may affect the liability of the former to fulfill his contract. The rights asserted in the suit and those arising upon the contract are distinct and separate, so that the court may, in a proper case, proceed to judgment without joining other parties to the contract, shaping its decree in such manner as to preserve the rights of those not before it." National Licorice Co. v. S.L.R.B., 309 U.S. 350, 363 (1940).

IV. b. *Inequitable conduct.* The next error asserted by Atlas concerns the refusal of the trial court to withhold all relief from Porsche on the ground that he was guilty of inequitable conduct.

The doctrine crystalized in the familiar equitable maxim that "he who comes into equity must come with clean hands" is often invoked by litigants as a defense and sometimes applied by the courts as a bar in actions involving the validity or infringement of patents. Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806. Seismo-

graph Service Corp. v. Offshore Raydist Inc., 263 F.2d 5 (5th Cir. 1959). But we fail to perceive any basis for its use here. It appears that during a visit to the Atlas factory Pursche observed on one of the two-way plows the then unpatented device referred to earlier in this opinion as the "butterfly type tail wheel." Shortly afterward he filed an application for a patent for the device. This precipitated an interference proceeding in the Patent Office when Chandler also filed an application claiming the same invention. Pursche made no appearance at the hearing and Chandler was ultimately granted the patent although after some delay due to the interference.

These facts fall far short of proving either that Pursche was attempting to pirate another's invention or that he deliberately misrepresented himself to be the inventor to the officials of the Patent Office in order to gain the monopoly, or that he was guilty of any other misconduct in relation to the patent for the "butterfly type tail wheel" or "anything [else] involved in the suit." Keystone Duller Co. v. General Excavator Co., 290 U.S. 240, 245 (1933).

The Pursche-Atlas licensing agreement was in effect at the time; there is nothing to indicate Pursche surreptitiously gained access to the plant or that he believed the invention had been originated by someone other than himself. On the contrary, Pursche gave testimony which the district court could well have credited to the effect he was in fact the inventor of the tail wheel and had disclosed its salient features to Atlas long before the latter embodied it in a two-way plow.

IV. *c. Rulings on evidence.* Atlas' four final assignments of error relate to the admission and exclusion of evidence.

1. During cross-examination of Atlas' witness Lundie, the court admitted, over Atlas' objection, an exhibit consisting of a written statement by the witness to the effect that (a) he had been an employee of Atlas while the Pursche-Atlas licensing agreement was in force, and (b) on one occasion during that period an officer of Atlas caused him to move a partially completed "two-way" plow embodying one of Chandler's inventions, out of the shop so that Pursche would not see it. Atlas contends that admission of this document was error and that on it rested the sole support for the court's finding in connection with Pursche's claim of unfair competition that Atlas deliberately concealed from him "its development activities" in "two-way" plows.

The court should have sustained Atlas' objection. It appears that the exhibit was admitted for the purpose of discrediting the witness for the court, in ruling on counsel's objection, made the observation that "it is proper cross-examination to show his interest and bias", and also commented that "the latter part [of the statement] is the part which would show his interest and bias." However, the statements were not impeaching; nothing contained in the latter part would even remotely tend to establish any partisanship of the witness in favor of Atlas or prejudice against Pursche or facts from which an improper motive could be inferred.[25] But this admission of the exhibit, although error, does

[25] The exhibit could not have been used as a prior inconsistent statement to impeach the witness, for his direct examination had not extended to the matter referred to in the exhibit.

not necessitate a reversal of the judgment. If our interpretation of the court's comments is correct then presumptively the statements appearing in the exhibit were considered solely to lessen the credibility of the witness, not to establish the truth of their subject matter. But even if the admission of the exhibit was general pursuant to its offer by counsel "for the purpose of showing the facts stated in the letter and also for the purpose of showing the intent of the party and his connection with this matter" the conclusion must be the same. There was other competent evidence in the record tending to prove Atlas' misconduct as reflected in the finding. Ordinarily the admission of incompetent evidence over objection will not be grounds for reversal when the case is tried to the court sitting without a jury and there is competent evidence to support the findings since the presumption is that the judge disregarded the incompetent and relied upon the competent evidence. Erceg v. Fairbanks Exploration Co., 95 F.2d 850 (9th Cir. 1938); United States v. National Bank of Commerce, 73 F.2d 721 (9th Cir. 1934).

Atlas next assails the action of the district court with respect to the depositions of Pursche. Atlas had taken Pursche's testimony pursuant to Rule 26 in connection with its discovery and at the trial offered the depositions en masse as original evidence. But the court refused their admission. It does not appear that the depositions were irregularly taken or that the court rejected them because they were lengthy and no doubt contained much that was repetitious, extraneous or otherwise inadmissible. Rather, it appears the court was of the opinion that since Pursche was present Atlas was required to call him as a witness and could not use his

deposition to prove any fact or facts therein stated. This conclusion is manifest for in ruling, the court flatly said: "You are not entitled to have the depositions introduced if the witness is here except for impeaching purposes."[28] This was error. The use of depositions is regulated by Rule 26(b); subsection one permits "any party" to use a deposition to impeach the deponent as a witness, while subsection three permits "any party" to use the deposition of any person as primary proof of the facts stated there provided the deponent is first shown to be unavailable as a witness; but subsection two permits "an adverse party" to use the deposition of "a party . . . for any purpose" and imposes no preliminary conditions to this use of the testimony. This is but a tacit way of saying that the deposition can be used as original evidence regardless of the presence or absence of the deponent. Pfotzer v. Aqua Systems, Inc., 162 F.2d 779 (2d Cir. 1947); Merchants Motor Freight, Inc. v. Downing, 227 F.2d 247 (8th Cir. 1955); 4 Moore Fed. Prac. p. 1190.

We do not mean to sanction the practice of indiscriminately offering an entire deposition or encourage any

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[28]The rationale of the district court also appears in the record:

"I do not think it is proper to use the depositions when the witnesses are before the court because you are introducing a piece of paper, and part of the function of the trial judge is to weigh the evidence and you cannot weigh it when it is on a piece of paper. You can weigh it when it comes live from the mouths of witnesses."

This statement reflects the historic legal view expressed in statutes such as Revised Statute §865 (2nd ed. 1878), 28 U.S.C.A. §641 (1934), that "on the trial itself the adducing of facts by viva voce testimony of witnesses . . . whose demeanor and manner are subject to the observation of the judge or jury . . . is superior to the use of written statements of the same witness." The New Federal Deposition & Discovery Procedure, 38 Col. L. Rev. 1436 at 1443 (1938).

attempt to thus impose upon the court. In Merchants Motor Freight v. Downing, *supra*, the court stated the deposition of a party might be admitted "subject to the court's right to exclude such parts thereof as might be unnecessarily repetitious in relation to the witness' testimony on the stand." No doubt that procedure has merit but we believe as a general rule the better practice is for the court in the first instance to require counsel to specify the particular portions that are deemed relevant and to limit the offer accordingly. Cf. United States v. U. S. Shoe Machinery Corp., 93 F. Supp. 190, cert. den. U.S.D.C. Mass. 1950.

But the record does not demonstrate that the error was prejudicial. On three occasions Atlas examined Pursche as an adverse party pursuant to Rule 43 (b); the examination covered many matters involved in the action and was not limited by the court; the last of Pursche's appearances followed Atlas' unsuccessful attempt to introduce his depositions. Atlas then interrogated Pursche, covering various matters appearing in the deposition and his testimony concerning them, and at no time did Atlas offer to prove that Pursche's testimony at the trial fell short of any appearing in the depositions. 28 U.S.C.A. §2111; McKee v. Jamestown Baking Co., 198 F.2d 551 (8th Cir. 1952); Watts v. Holland, 153 F.2d 337 (9th Cir. 1946); Davis v. R.K.O. Radio Pictures, 191 F.2d 901 (8th Cir. 1951).

Atlas' next point concerns the refusal of the district court to admit into evidence certain motion pictures covering a long interval during one of the two field demonstrations at which the court observed in operation several of the Atlas and Pursche plows. There was no error in this ruling. Both parties adduced testimony

in considerable detail describing both the construction and the mode of operation of their plows and in addition some 46 still pictures taken at the demonstration were admitted in evidence. The proposed exhibit was cumulative of the evidence and in its rejecting the court acted without its discretion.

Atlas' final point that a telegram admitted by the district court over objection that its contents were hearsay is well taken. However, the error is harmless and does not necessitate a reversal of this judgment.

The exhibit was relevant to the issue of the validity of Pursche's patents and was offered as part of Pursche's proof that his inventions met with a ready market. The telegram purported to show that the royalty accruing to Pursche from International Harvester Co. during a part of the period that International made use of Pursche's patents under a licensing agreement was "about eleven thousand nine hundred forty-two dollars."

But even without this exhibit there was uncontradicted evidence that Pursche received royalties of nearly $25,000 from International and in excess of $75,000 from Pursche, as well as other evidence tending to prove that Pursche's inventions met with a considerable commercial success.

IV. d. *Costs.* The only point remaining is one urged by Pursche on his cross appeal and relates to the provision in the judgment that "[e]ach party shall pay its own costs." Pursche was the prevailing party and the judgment was predominantly in his favor; but these facts did not compel an award to him of costs. The district court held claim 1 of the 090 patent was invalid and that the Atlas B-2, B-3 and B-4 plows did not infringe any of Pursche's patents. The matter of costs

is primarily the concern of the district court and under the circumstances of the instant case we cannot say that the denial of costs to Pursche constitutes an abuse of discretion. General Motors Corp. v. Leer Auto Supply, 60 F.2d 902 (2d Cir. 1932); Emerson v. National Cylinder Gas Co., 251 F.2d 152 (1st Cir. 1958); Refrigeration Engineering Inc. v. York Corp., 168 F.2d 896 (9th Cir. 1948), cert. den. 335 U.S. 859; Brunswick-Balke-Collender Co. v. American Bowling & Billiard Corp., 150 F.2d 69 (2d Cir. 1945).

In sum we agree with the judgment of the court below to the extent it adjudicates:

(a) that claims 6, 7, 8, 9, 11, 12, 13, 15, 16, 20, 21, 22, 23, 24 and 27 of the 090 patent are valid.

(b) that claim 1 of the 090 patent is invalid;

(c) that the Atlas B-5 plow infringes claims 12 and 27 of the 090 patent;

(d) that the Atlas B-1 plow infringes all the claims of the 090 patent enumerated above in section (a);

(e) that the "new style" Atlas plow does not infringe any of the claims of the Pursche patents;

(f) that Atlas was guilty of unfair competition;

(g) that an injunction issue restraining further infringement by Atlas;

(h) that each party shall bear his own costs.

However, we disagree with that judgment so far as it holds valid and infringed claims 2 to 5, 10, 14, 17, 18, 19, 25 and 26 of the 090 patent and the 786 and 284 patents; we hold each of these claims of the 090 patent and the 786 and 284 patents are invalid.

The judgment of the district court will be modified accordingly and as thus modified is affirmed.

Neither party is allowed the costs of the appeal.

(Endorsed) Opinion Filed Dec. 12, 1961.

Frank H. Schmid, Clerk.

EXHIBIT C.

Judgment.

United States Court of Appeals for the Ninth Circuit.

Harry A. Pursche, Appellant, vs. Atlas Scraper & Engineering Co., Appellee.

Atlas Scraper & Engineering Co., Appellant, vs. Harry A. Pursche, Appellee. No. 16410.

Appeals from the United States District Court for the Southern District of California, Central Division.

This cause came on to be heard on the Transcript of the Record from the United States District Court for the Southern District of California, Central Division and was duly submitted.

On Consideration Whereof, It is now here ordered and adjudged by this Court, that the judgment of the said District Court in this Cause be, and hereby is modified in accordance with the opinion of this court and as so modified be and hereby is affirmed, neither party is allowed the costs of the appeal.

Filed and entered December 12, 1962.

EXHIBIT D.

Order Denying Petitions for Rehearing.

United States Sourt of Appeals for the Ninth Circuit.

Ecerpt from Proceedings of Tuesday, April 3, 1962.

Before: Barnes, Jertberg & Koelsch, Circuit Judges.

On consideration thereof, and by direction of the Court, It Is Ordered that the petition of appellant Pursche and the petition of Appellant Atlas Scraper and Engineering Co., both filed on January 25, 1962, and within time allowed therefor by rule of the court, and valid extension thereof, for a rehearing of above cause be and each of them hereby is denied.

EXHIBIT E.

Exhibit No. 19.

Agreement

This Agreement, made and entered into this 3rd day of April, 1948, by and between Harry A. Pursche, of Gardena, California, hereinafter referred to as Pursche, and Atlas Scraper and Engineering Co., a California corporation, of Bell, California, hereinafter referred to as Atlas:

Witnesseth:

Whereas, Pursche is the inventor of certain new and useful inventions comprising improvements in plows, for which he did on July 14, 1947, file an application in the United States Patent Office, Serial No. 760,846, entitled Plow: and on October 17, 1947, did file an application in the United States Patent Office, Serial No. 780,417, entitled Two-Way Plow, for Letters Patent thereon, copies of which applications are hereto attached; and

Whereas, Pursche warrants that he is the sole owner of said applications, and has the unrestricted right to grant exclusive licenses thereunder; and

Whereas, Atlas is desirous of obtaining the exclusive right and license to make and to sell, or cause to be sold throughout the United States, for a period of Five (5) Years from the date hereof devices embodying the aforesaid inventions:

Now, Therefore, for good and valuable considerations, the receipt of which is hereby acknowledged, and in consideration of the mutual promises and agreements herein contained the parties have and do covenant and agree together as follows:

I.

Pursche, for himself and for his heirs and legal representatives, hereby grants unto Atlas, upon the terms and conditions hereinafter stated, the exclusive personal and non-assignable right and license throughout the United States, its territories and possessions, to manufacture, or to cause to be manufactured for it, devices embodying the aforesaid identified inventions, and to sell, or cause to be sold, the devices so manufactured;

The term of this agreement shall be for a period of Five (5) Years from and after the date hereof unless sooner terminated as hereinafter provided;

During the period that the license granted to Atlas is exclusive, Atlas shall have the right to issue sub-licenses hereunder to the same extent as the license granted to Atlas. Upon the execution of any sub-license Atlas shall forthwith furnish Pursche with a copy thereof. The right to grant sub-licenses given by this Article I is upon and subject to the express condition that each and every such sub-license shall remain in force and effect only during the time this agreement is exclusive and no longer, and shall terminate and cease to be of any force or effect at the termination of the exclusive license given to Atlas or at the sooner termination or cancellation of this agreement as hereinafter provided; and that the royalties in all sub-licenses shall not be less than the royalties herein provided; and that any and all inventions, improvements, modifications and betterments, whether patentable or not, made or acquired by sub-licensee relating to the plow construction the subject matter of this agreement, shall be assigned to Pursche and shall be the sole and exclusive property of Pursche; and that each sub-

licensee shall keep proper records and books of account respecting the manufacture and sale hereunder, which books of account shall be open to the inspection of Porsche or his duly authorized representative at all reasonable business hours;

Manufacture and sale by sub-licensees shall be deemed the equivalent of similar manufacture and sale by Atlas itself for the purpose of this agreement. Atlas shall be obligated to account for and to pay Porsche the royalties on such manufacture and sale as if made directly by Atlas.

II.

Atlas shall have the option to continue this agreement as a non-exclusive license without any right to grant sub-licenses for the remaining life of the patent or patents last to expire owned or controlled by Porsche covering a device or devices manufactured by Atlas hereunder by notifying Porsche in writing of its election to so continue this license as a non-exclusive license on or before thirty (30) days prior to the end of said Five (5) Year period, this agreement shall then be continued in force and effect and upon the same terms and conditions as herein provided except that the agreement shall then be non-exclusive and with no right to grant sub-licenses.

III.

Atlas agrees that it will endeavor to have devices embodying the aforesaid identified inventions ready for sale and distribution as soon as material and labor are available and can be reasonably accomplished by the exercise of due diligence, but in no event later than four months from the date hereof.

It is agreed as a condition precedent to the making of this agreement that Atlas will at all times during the life of this agreement and in good faith advertise and use its best endeavors and reasonable efforts to promote, manufacture and sell the devices which are the subject matter of this agreement and create a demand for said devices, and that it will carry the necessary stock of devices as the trade requirements may demand, and will supply such demand and fill all orders received, subject to the right of Atlas to refuse orders in the ordinary course of business.

IV.

Atlas covenants and agrees to pay to Pursche as royalty during the term of this agreement upon each and every device made or caused to be made, and sold or caused to be sold by Atlas or its sub-licensees covered by a claim or claims of said applications or of any patent or patents which may be granted to or owned or controlled by Pursche pertaining to the devices manufactured by Atlas under this agreement, based upon the following schedule for each year, to wit:

(a) On the first Two Hundred Thousand Dollars ($200,000.00) of Atlas' net annual sales price, a sum equal to seven (7%) per cent of the net sales price;

(b) On the next Two Hundred Thousand Dollars ($200,000.00) of Atlas' net annual sales price, a sum equal to six (6%) of the net sales price;

(c) On all Atlas' net annual sales price above Four Hundred Thousand Dollars ($400,000.00), a sum equal to five (5%) per cent of the net sales price;

The term "Net Sales Price" as contained herein shall mean the monies actually received by Atlas for each de-

vice, less all freight or transportation charges, trade discounts and any manufacturer's excise or so-called sales tax incurred by Atlas in connection with the sale of said devices;

For the purpose of this agreement, all devices shall be considered as sold when the devices have been billed out, or if not billed out, when the devices have been delivered or shipped;

Atlas shall receive due credit for all such devices returned to Atlas and for which the order has been cancelled at the same rate of royalty as hereinbefore provided for, provided they are returned within six (6) months from date of sale. In no event shall royalty be paid on the same device more than once regardless of when returned.

V.

Payment of royalties shall be made by Atlas to Pursche as hereinabove provided in quarterly payments for the respective quarters ending on March 31, June 30, September 30, and December 31, respectively, during the term hereof from the sale of said devices during the precedng quarter by Atlas and/or its sub-licensees. Within twenty (20) days after the quarterly period ending on the last day of each March, June, September, and December, Atlas shall furnish to Pursche a written statement showing all sales of the devices and the amount of royalties due in respect thereof sold during each quarter, and at the same time shall pay to Pursche the amount of royalty so due.

VI.

Atlas agrees to keep full and complete records and books of account accurately to show operations under the terms of this agreement, and showing the number

of devices manufactured, together with the number sold, the date upon which each sale was made, and the name and address of the purchaser, which books of account and records, insofar as they relate to the manufacture and sale of devices hereunder, shall be open to the inspection of Pursche or his duly authorized representative during the usual business hours of Atlas in order to verify the correctness of the statements furnished by Atlas to Pursche.

VII.

If the license herein granted becomes non-exclusive as herein provided, then if any license under the aforesaid identified inventions shall be granted by Pursche on terms any more favorable than those set forth herein to Atlas, Pursche shall notify Atlas and the more favorable royalty rates shall there be substituted for the rates provided for in Paragraph IV.

VIII.

Pursche will prosecute, or cause to be prosecuted promptly and actively the applications hereinabove identified and any and all other applications covered hereby, to the end that the patent or patents thereon may be issued as promptly as good practice permits; and Pursche will at the request of Atlas advise Atlas at all times during the continuance of this agreement of the status of the applications above identified and any and all other applications for letters patent covered by this agreement and will provide Atlas with copies of all allowed claims.

IX.

Any improvements upon, attachments to, or modifications of, the aforesaid identified inventions that may be made or acquired by Pursche while this agreement is

in force are comprehended within the terms of this agreement, and will be available to Atlas free from the payment of any additional or further royalty or other compensation therefor;

Atlas agrees, for itself and for its sub-licensees, to promptly and fully disclose to Pursche any and all inventions and improvements, modifications and betterments made, discovered or acquired by Atlas and/or its sub-licensees relating to the plow construction forming the subject matter of this agreement; and any and all such inventions, improvements, modifications and betterments upon the aforesaid plow construction made during the life of this agreement by or through the efforts of Atlas and/or its sub-licensees, or coming under the control of Atlas or its sub-licensees, shall belong to Pursche whether patentable or not and shall be properly assigned to Pursche by Atlas, free from any payment or compensation therefor, to the full extent of the interest of Atlas or its sub-licensees therein, and will be available to Atlas free from the payment of any additional or further royalty or compensation therefor; if Pursche desires to file and prosecute applications for letters patent thereon, Atlas will to the best of its ability endeavor to obtain and deliver to Pursche, his heirs, executors, administrators, or assigns at his or their expense, the necessary assignments, applications, petitions, oaths, and instruments which Pursche shall deem necessary in order to apply for and obtain letters patent of the United States or foreign countries for the inventions, improvements, modifications, attachments and betterments so relating directly or indirectly to the plow construction forming the subject matter of this agreement, which inventions, improvements, modifications, attachments and betterments shall

be and remain the sole and exclusive property of Pursche, his heirs, executors, administrators and assigns, whether patentable or not; all expenses of applying for and obtaining letters patent on said inventions, discoveries, and improvements shall be borne entirely by Pursche provided, however, in the event Pursche does not desire to file and prosecute patent applications on the same or any thereof, then Atlas shall have the right at its own cost and expense to file applications for letters patent upon such inventions, improvements, modifications, attachments and betterments upon which Pursche does not desire to file applications for letters patent, but notwithstanding the premises such inventions, discoveries, and improvements and any applications for letters patent and letters patent issued thereon shall be the sole and exclusive property of Pursche.

It is mutually understood and agreed that if any such inventions, improvements upon, attachments to, or modifications of the aforesaid identified inventions that may be made or acquired by Atlas while this agreement is in force and so assigned to Pursche are susceptible to use on devices not coming within the terms or scope of this agreement, Atlas shall have and is hereby given a royalty free, non-revokable, non-exclusive right and license to use the same on other devices not coming within the terms or scope of this agreement.

X.

Pursche shall have and hereby reserves the right and option to terminate this agreement, and all rights of Atlas hereunder in the event (1) Atlas shall at any time be in default in the payment of any of the royalties provided for in Article IV hereof, or (2) the rendering of the reports provided for in Article V here-

of, or (3) if Atlas fails to comply with any of the provisions of this agreement by it to be performed, then at any time during any such default, Pursche may, by written notice, specify such default, demand performance thereof, and upon failure to cure such default within thirty (30) days from such demand, then Pursche Shall have the right, at his option, to forthwith cancel and terminate this agreement; no waiver by Pursche of any breach or any of the terms, covenants, or conditions hereof shall be deemed a waiver of any other or similar or subsequent breach; and cancellation or termination of this agreement shall not relieve Atlas from the payment of any royalties or any monies due and payable to Pursche at the time of any such cancellation or termination.

XI.

It is mutually understood and agreed that if at any time any claim of any patent issued upon the invention disclosed and claimed in the herein-above-identified applications should be adjudged invalid by judgment of a court of competent jurisdiction which has become final, then no royalties shall thereafter accrue or become due or payable under such claim; provided, however, that full royalty at the rate hereinabove provided for shall continue to be payable under any remaining claim or claims of any letters patent issued to, or owned or controlled by Pursche, which remaining claim or claims may cover any device which Atlas continues to manufacture and/or causes to be manufactured or sold under this agreement.

XII.

Should any claim of said applications be infringed, Pursche agrees to immediately take such steps as are

necessary to make Special the application in which the claim appears.

XIII.

In the event that Atlas shall have manufactured and completed on or before June 1, 1949, fifty (50) of the licensed plows, then this agreement may be cancelled by Atlas at any time after June 1, 1949, if Atlas finds that manufacture and sale of devices under this agreement is not in Atlas' opinion profitable, such cancellation to be effected by Atlas' delivering to Pursche, not less than thirty (30) days prior to the date on which it desires such cancellation to become effective, a written notice to Pursche of Atlas' election to cancel and the effective date thereof. It is understood that cancellation of this agreement by Atlas shall not relieve Atlas from the payment of any royalties or any monies due and payable to Pursche at the time of the cancellation.

XIV.

All notices or demands provided herein to be given shall be served by depositing the same in the United States mail, postage prepaid, addressed to Harry A. Pursche, Gardena, California, or to Atlas Scraper and Engineering Co., Bell, California, or to such other place or places as the parties, or either of them, from time to time shall designate in writing.

XV.

Atlas is hereby given the sole right during the term this agreement remains an exclusive license at its own cost and expense to sue infringers of the patent or patents issued upon the aforesaid identified applications for letters patent and Pursche in such cases will permit the use of his name in all such suits, sign all necessary

papers, take all rightful oaths, and do whatever else may be necessary to assist in such suit; and it is understood and agreed that Atlas shall have the control and management of any such litigation, but in co-operation with any counsel whom Pursche may at his expense employ. Any damages or profits recovered by reason of infringement of any patent issued upon the aforesaid identified applications shall belong to and be the property of Atlas, provided, however, Pursche shall be entitled to and Atlas agrees to pay Pursche a royalty equal to twenty-five (25%) per cent of any net recoveries (recovery received from infringer less all costs of bringing suit) obtained by Atlas in any such suit or suits; provided further that nothing herein contained shall be construed as requiring Atlas to prosecute any suit or suits for asserted infringement.

Should Atlas acting in bad faith or inability or with intent to injure the monopoly or interest of Pursche therein, fail to take the necessary steps for litigation as outlined in this Article, then Pursche may conduct in his own name and at his own expense such litigation as he may deem necessary, and any damages or profits recovered as the result of such litigation individually conducted by Pursche shall belong solely to him, provided Pursche has first given thirty (30) days' written notice to Atlas of his intention to initiate such litigation and Atlas fails during such thirty (30) day period to institute such litigation.

XVI.

Should Atlas be declared bankrupt following the filing of a voluntary or involuntary petition, or be declared insolvent, or enter into any composition with its creditors, or execute an assignment for the benefit of

creditors, or should a receiver or trustee be appointed by any court or other Governmental agency to administer the affairs or assets of Atlas, then and in that event this agreement shall automatically become cancelled and terminated and all rights of Atlas herein granted shall thereupon cease and terminate; it being expressly provided, however, that if the disability of Atlas is cured by appropriate action within sixty (60) days of the date of the automatic cancellation of this agreement as provided in this Article, then and in that event the terms and conditions of this License Agreement shall automatically be revived the same as though such cancellation and termination had not taken place;

It is further agreed that upon the sale as a result of an attachment or execution, or otherwise, of any right or property conferred by this agreement, this agreement shall automatically be cancelled and terminated.

XVII.

Atlas agrees that upon the issuance of Letters Patent upon the aforesaid identified inventions, it will place in a conspicuous location on each device made by it hereunder, a patent notice as required by statutes relative to the marking of patented articles.

XVIII.

In the event of cancellation of this agreement or its termination in any other manner, Atlas shall have the right to complete any and all then bona fide existing contracts for manufacture and sale of said devices that it may have upon its books or that it had obligated itself for, including the right to dispose of all devices held in inventory or in process, paying the same royalties therefor as provided for in Article IV, provided, however, each contract shall be filled and the

devices held in inventory or process shall be sold within six (6) months after such cancellation or termination.

XIX.

It is mutually agreed that in the event any of the clauses or provisions of this agreement shall, for any reason, be held to be invalid by a judgment of a court of competent jurisdiction, which has become final, the invalidity of such clause or such provision shall not operate in any way to invalidate or effect the remainder of this agreement, but the same shall be continued in full force and effect as though the clause or provision so held invalid were omitted or were modified so as to avoid such invalidity.

XX.

Time is of the essence of this agreement.

XXI.

This agreement and the license granted hereunder are personal to Atlas and are non-assignable by Atlas without the written consent by Pursche other than to the successor in interest of the entire business of Atlas, or to its successor in interest of that part of the business of Atlas devoted to the manufacture and sale of agricultural and ground working implements.

This agreement shall be binding upon and the benefits thereof inure to the parties and to the heirs, executors, administrators and assigns of Pursche, and to the successors in interest of Atlas.

In Witness Whereof, Pursche has subscribed his name and affixed his seal, and Atlas has caused this agreement to be executed by its duly authorized officers as of the day and year first above written.

[Seal]

/s/ HARRY A. PURSCHE

ATLAS SCRAPER AND ENGINEERING CO.,

By /s/ CLAUDE B. OGLE,
President.

Attest:

/s/ LOLA F. OGLE,
Secretary.

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IN THE

Supreme Court of the United States

October Term, 1962.
No. 124

ATLAS SCRAPER AND ENGINEERING CO.,

vs.

HARRY A. PURSCHE.

Brief for Respondent in Opposition to Petition for Writ of Certiorari.

(Filed May 16, 1962)

This case comes before this Court on a Petition by Atlas Scraper and Engineering Co., defendants below, for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit.

Opinions Below.

The citation to the Circuit Court Opinion is 300 F. 2d 467. The findings of fact and conclusions of law of the District Court relating to the unfair competition count are reproduced in the Appendix hereto.

Jurisdiction.

The jurisdictional requisites are adequately set forth in the Petition (Beginning printed page 2).

The Questions Presented.

The constitutional question set forth as item (c) on page 3 of the Petition need not be decided because this case can be disposed of on other grounds.

Statement of the Case.

The "Statement of the Case" set forth in the Petition, pages 4, 5, omits important facts bearing on the unfair competition claim. Respondent Harry A. Pursche is a farmer and raised truck garden crops on a large-scale basis in Southern California [R. 69]. He personally constructed five two-way plows of different size and used them himself [R. 70, 71] in his farming operations [R. 70-72]. He made all five plows available to petitioner for measurement and study; prior to that time Petitioner had never built a two-way plow, nor any kind of plow [R. 74]. Petitioner then began to build two-way plows under license [R. 74] using confidential information acquired from Respondent (Pet. p. 35). Later Petitioner cancelled the license and continued to manufacture and sell the same devices without payment of royalties [R. 75]. Respondent then sued for patent infringement and unfair competition [R. 29-32].

Reasons for Denying the Writ.

1. The unfair competition claim in this case meets either the liberal test or the narrow test for joinder with the patent infringement claim, under 28 U.S.C. §1338-(b). The decisions of the Second Circuit and other Circuits now follow the liberal test for joinder, requiring only a considerable overlap in their factual basis and that a substantial amount of the evidence of one claim be relevant to the other. The Seventh Circuit rule, possibly followed in the Eighth Circuit, is narrower, requiring that both the federal and non-federal causes rest on substantially identical facts. Under either view, the facts of the present unfair competition claim meet the test for joinder with the patent infringement claim. Accordingly, this case does not present the issue to which the Petition is directed.

2. The constitutional issue presented in question (c) on page 3 of the Petition need not be decided in order to dispose of this case, since the present unfair competition claim meets the narrow test for joinder, as well as the more liberal test, and no challenge to the constitutionality of the narrow test is raised by the Petition.

ARGUMENT.

1. Decisions Prior to the Enactment of 28 U. S. C. §1338(b).

Almost thirty years ago this Court, in *Hurn v. Oursler* (1933), 289 U. S. 238, 53 S. Ct. 380, 77 L. Ed. 1148, decided that a Federal District Court has pendent jurisdiction over a non-Federal claim

> ". . . where two distinct grounds in support of a single cause of action are alleged, one only of which presents a federal question. . . . The bill alleges the violation of a single right, namely, the right to protection of a copyrighted play. And it is this violation which constitutes the cause of action. Indeed, the claims of infringement and unfair competition so precisely rest upon identical facts as to be little more than the equivalent of different epithets to characterize the same group of circumstances. . . ."

Five years later this Court decided *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.* (1938), 305 U. S. 315, 59 S. Ct. 191, 83 L. Ed. 195, the only other decision of this Court directly in point. In the latter case, the Court said, at page 325,

> ". . . Once properly obtained, jurisdiction of the one cause of action, the alleged infringement of the trade-mark, persists to deal with all grounds supporting it, including unfair competition with the marked article. The cause of action is the interference with the exclusive right to use the mark 'Nu-Enamel' . . . the facts supporting a suit for infringement and one for unfair competition are substantially the same. . . ."

2. The Enactment of 28 U. S. C. §1338(b).

The enactment of 28 U.S.C. §1338(b) in 1948 is thoroughly consistent with *Hurn v. Oursler*, but as pointed out by Professor Moore[1]

> ". . . goes much further than the facts required the Court to go in that case. Under §1338(b) there is jurisdiction of the claim of unfair competition when the claim under the copyright, patent or federal trade-mark law is substantial and related to the claim of unfair competition. While some courts have insisted that the latter claim of unfair competition involve essentially identical facts this view is too restricted. It suffices if there is a real factual or legal relation. If this broad and fair construction of the subsection is applied, it will carry out the revisers' intention 'to avoid "piecemeal" litigation;' and federal jurisdiction to this limited extent has been broadened."

The first draft of the new statute §1338(b) permitted a joinder "whenever there is a single cause of action" (Revision of Judicial Code, Preliminary Draft, October 30, 1955, §1360). The first draft was rejected as too limited and the present form substituted therefor. See footnote 6 to Judge Clark's dissent in *Kleinman v. Betty Dain Creations*, 189 F. 2d 546, 551. Judge Clark stated that the legislative history of 28 U.S.C. §1338(b), as summarized in the footnote,

> ". . . shows how completely it was designed to change the rule following in this circuit. And we have held that it did: Cutting Room Appliances Corp. v. Empire Cutting Machine Co., 2 Cir., 186 F. 2d 997, overruling Derman v. Stor-Aid, Inc., 2 Cir., 141 F. 2d 580. . . ."

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[1]Moore's Federal Practice (2d Ed. 1961), Vol. 1, pp. 658, 659.

3. Decisions Following Enactment of 28 U. S. C. §1338(b).

No decision of this Court which interprets 28 U.S.C. §1338(b) has been located.

A. Second Circuit:

Since the enactment of §1338(b), the Second Circuit Decisions have reversed an earlier trend and now follow the more liberal rule advocated by Judge Clark, as shown by the following cases:

In *Telechron, Inc., et al. v. Parissi* (2 ir. 1952), 197 F. 2d 757, the Court said

> ". . . in reality three claims are averred as to which the plaintiffs sought declarations of rights and injunctive relief: (1) a claim that the patents are invalid and have not been infringed; (2) a claim that the alleged inventions were not disclosed to the plaintiffs in confidence; (3) a claim that the alleged inventions were not disclosed subject to any understanding, express or implied, that compensation would be paid therefor to defendant. The second and third claims involve common law rights and, since diversity of citizenship is lacking, jurisdiction must depend upon the applicability of 28 U.S.C.A. §1338(b). This court has recently considered the problem of dependent jurisdiction in Kleinman v. Betty Dain Creations, 2 Cir., 189 F. 2d 546 and Schreyer v. Casco Products Corp., 2 Cir., 190 F. 2d 921; certiorari denied 342 U. S. 913, 72 S. Ct. 360. . . ."
>
> ". . . Whether the obligation is a fictional contract implied in law or a consensual contract not to use confidential information to invade the plain-

> tiff's market of a patented device to which the information related, the wrong done is the same, and the claim asserting it would seem as truly a 'claim of unfair competition' in the one case as the other. In our opinion the Betty Dain case was in substance overruled by the Schreyer decision, since the attempted distinction between them cannot logically be supported. We follow the later case and hold that the district court had dependent jurisdiction of both non-patent claims."

In *Maternally Yours, Inc. v. Your Maternity Shop, Inc.* (2 Cir. 1956), 234 F. 2d 538, there was a claim of trademark infringement joined with unfair competition. The unfair competition claim arose prior to the trademark registration. The Court said at page 543,

> ". . . The purpose of §1338(b) as stated by the Reviser was 'to avoid "piecemeal" litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court.' Reviser's Note to 28 U.S.C.A. §1338(b), 1948 Revision of Judicial Code. This purpose would be frustrated, were we to accept defendant's contention that the two claims must have exact chronological correspondence and identity." The Court said ". . . The close relation of the two claims is demonstrated by this considerable overlap in their factual basis and by the additional fact that nearly all the evidence received at the trial, other than that concerned with plaintiff's application and registration of 'Maternally Yours' was relevant to both claims. . . ."

"Prior to the enactment of 28 U.S.C. §1338(b), this Circuit took a narrow and restrictive view of the pendent jurisdiction of federal district courts over non-federal claims joined with substantial federal claims. Zalkind v. Scheinman, 2 Cir., 1943, 139 F. 2d 895, certiorari denied 322 U. S. 738, 64 S. Ct. 1055, 88 L. Ed. 1572; Treasure Imports v. Henry Amdur & Sons, 2 Cir., 1942, 127 F. 2d 3; Musher Foundation v. Alba Trading Co., 2 Cir., 1942, 127 F. 2d 9. Virtual identity of proof of the federal and non-federal claim was required. This view persisted even after the doctrine of Hurn v. Oursler, 1933, 289 U. S. 238, 53 S. Ct. 586, 77 L. Ed. 1148, was included in the 1948 Judicial Code at 28 U.S.C.A. §1338(b). See Kleinman v. Betty Dain Creations, 2 Cir., 1951, 189 F. 2d 546. However, in Telechron, Inc., v. Parissi, 2 Cir., 1952, 197 F. 2d 757, it was stated that Schreyer v. Casco Products Corp., 2 Cir., 1951, 190 F. 2d 921, certiorari denied 342 U. S. 913, 72 S. Ct. 360, 96 L. Ed. 683, had overruled the Kleinman case supra. *Thus we are now committed to a broader view of pendent jurisdiction, at least in those cases involving a substantial federal question under the patent, copyright or trade-mark laws within 28 U.S.C.A. §1338(b).*" (Emphasis added).

The District Court decision in *Nikanov v. Simon & Schuster* (D.C.S.D. New York 1956), 144 Fed. Supp. 375, held that under §1338(b) a claim of unfair competition for wrongfully incorporating part of plaintiff's uncopyrighted manuscript was held properly joined to a claim for copyright infringement of plaintiff's pictorial

language chart. On Appeal, 246 F. 2d 501 at page 504, the Court of Appeals for the Second Circuit said

> ". . . The award of damages was based wholly on the plaintiff's cause of action for copyright infringement. We have concluded that on that phase of the case the district court's decision was correct. Whether or not the court had pendent jurisdiction of the claim of unfair competition with respect to the plaintiff's uncopyrighted manuscript is a question we therefore need not pursue. . . ."

In a footnote, the Appellate Court pointed out the similarity of the facts to those of *Hurn v. Oursler, supra*, and said

> ". . . In that case the plaintiff sued for infringement of the copyright on a play, for unfair competition with the copyrighted play, and for unfair competition with a revised, uncopyrighted version of the same play. . . ."

The Appellate Court said in effect that if the rule of *Hurn v. Oursler* is strictly applied the District Court did not have jurisdiction over the unfair competition count, but if *Hurn v. Oursler* is "broadly construed to include claims which have 'a real factual or legal relation' to the copyright claim in order to 'carry out the revisers intention "to avoid 'piecemeal' litigation"' . . ." the District Court did have jurisdiction.

B. Sixth Circuit:

Some Sixth Circuit cases also follow the liberal construction of §1338(b). *Lyon v. Quality Courts United* (6 Cir. 1957), 249 F. 2d 790. Defendants used a colorable imitation of plaintiff's registered collective service marks, resulting in confusion as to the

source of origin of the services offered. The marks were registered under the Lanham Act "for providing lodging in tourist courts". Defendant used a similar sign and used the name "Quality Courts" on stationery, business cards, match covers, and other advertising material. Defendant was found to be guilty of unfair competition in representing that its motel was a member of the plaintiff corporation, by appropriating the name Quality Courts United, Inc. The Court held that the claim of unfair competition "was closely related to the trade-mark claim" and that the federal court therefore had jurisdiction.

The liberal construction was also followed in *The Pure Oil Company v. Paragon Oil Company*, 117 USPQ 321, D.C.N.D. Ohio, E. Div. (1958). On the question of jurisdiction, the Court said at page 322

> ". . . . Plaintiff asserts a claim of infringement of its registered trademarks—five in number. As shown by the evidence, this is a substantial claim, and this Court has jurisdiction to determine it; and if the claim of infringement be decided adversely to the plaintiff, this Court may retain jurisdiction and decide the related question of unfair competition."

However, another District Court case in Ohio, *Preformed Line Products Co. v. Fanner Mfg. Co.* (D.C.N.D. Ohio, E. Div. 1960), 124 USPQ 288, refused to follow the modern Second Circuit rule as set forth in *Maternally Yours v. Maternity Shop, Inc., supra*, and instead followed the narrower test set forth in *Hook v. Hook & Ackerman* (3 Cir. 1956), 233 F. 2d 180, which refused joinder of the claim for infringe-

ment of the patented boiler construction with the unfair competition claim relating to confusion of outward appearance and confusion of name, because the latter did not merely add ". . . a second ground of recovery from the same facts. . . .".

A very recent Sixth Circuit decision, *Muskegon Piston Ring Company v. Olsen et al.*, ... F. 2d ....., 134 USPQ 471, CA 6, decided August 17, 1962, refused jurisdiction under §1338(b) over a claim for unfair competition, which consisted of ". . . . disparagement of plaintiff's right to make and sell piston rings embodying the invention disclosed in plaintiff's patent. . . .", because the majority found that no question of patent infringement or validity was presented in the declaratory judgment action. Judge O'Sullivan dissented.

It is believed fair to state that some, but not all, of the recent Sixth Circuit decisions interpreting §1338(b) follow the modern liberal rule of the Second Circuit.

It is to be noted that the Sixth Circuit cases cited on page 7 of the Petition for a Writ of Certiorari do not relate to patent, trademarks, copyrights, or unfair competition. Thus, *American Fidelity & Cas. Co. v. Owensboro Mining Co.* (6 Cir. 1955), 222 F. 2d 109, was an action by an insurer on a personal injury case. *United Mine Workers of America v. Meadow Creek Coal Company* (6 Cir. 1959), 263 F. 2d 52, was a secondary boycott case. *Dann v. Studebaker-Packard Corporation* (6 Cir. 1961), 288 F. 2d 201 involved a stockholder's suit against the corporation for wasting of assets.

C. Ninth Circuit:

The decisions in the Ninth Circuit also apply a liberal construction to §1338(b). Thus, in *Ross-Whitney Corp. v. Smith Kline & French Lab.* (9 Cir. 1953), 207 F. 2d 190, the Court said at page 193,

> ". . . The suit for unfair competition is also properly before the District Court for several reasons, First, since there is an allegation of infringement of SKF's trade-mark Dexedrine before the District Court, Title 28 U.S.C.A. §1338(b) gives the court jurisdiction to determine at the same time the substantial and related claim by SKF that appellants are guilty of unfair competition in copying the appearance and name of SKF's tablet. . . ."

Also, in *Ramirez & Ferraud Chili Co. v. Las Palmas Food Company* (D.C.S.D. Cal. 1956), 146 Fed. Supp. 594, affirmed per curiam 245 F. 2d 874 (1957), the Court held that the claim for infringement of a registered trademark and a claim for unfair competition were properly joined, even though many of the acts constituting unfair competition took place in Mexico. The Court said at page 603,

> ". . . Pendent jurisdiction under §1338(b) is properly invoked therefore whenever necessary to sustain federal jurisdiction of a cause of action for unfair competition arising under state law, here the law of California. . . ."

Also, in *Falcon Products v. Hollow Rod Sales & Service Co.* (D.C.S.D. Cal. 1955), 135 Fed. Supp. 91, 93, Judge Jertberg held that the Court had jurisdiction under §1338(b) of a count for unfair competition joined with a count for patent infringement, where the alleged unfair competition comprised improper use of

confidential information in manufacturing the alleged infringing device. The Court said that the count for patent infringement and the count for unfair competition ". . . have a common background of basic facts and that substantially the same evidence will apply to both . . . .", citing *Landstrom v. Thorpe*, 8 Cir., *infra*.

The earlier Ninth Circuit case of *Dubil v. Rayford Camp & Co.* (9 Cir. 1950), 184 F. 2d 899, should not be regarded as an exception to the liberal rule now followed in the Ninth Circuit. In that case the patent contained only method claims and the claim of unfair competition was based on improper use of plaintiff's California state-registered trademark. The Court held the patent invalid for fraud upon the Patent Office. No mention of §1338(b) appears in the decision. The Court found that the source of unfair competition was completely separable from the patent aspects of the case.

D. Fourth Circuit:

The Fourth Circuit also follows the liberal construction rule. In *Carter Products v. Colgate-Palmolive Company* (4 Cir. 1955), 130 Fed. Supp. 557, affirmed 230 F. 2d 855, the Court held that it had jurisdiction under §1338(b) of an unfair competition count for wrongful appropriation of trade secrets relating to a shaving cream composition, joined with a suit for patent infringement of the same shaving cream composition. The Court said at page 571:

> ". . . In the present case the claim of unfair competition is directly joined with the claim of infringement of the Spitzer patent . . . .", although the unfair competition took place before the

patent issued. The Court quoted from Floeltke v. C. M. Kemp Mfg. Co., 4 Cir. (1935), 80 F. 2d 912, 922, " ". . . The general rule, of course, is that the monopoly of a patent which entitles a patentee to damages for infringement commences only when the patent is granted; but where, in advance of the granting of a patent, an invention is disclosed to one who, in breach of the confidence thus reposed, manufactures and sells articles embodying the invention, such person should be held liable for the profits and damages resulting therefrom, not under the patent statutes, but upon the principle that equity will not permit one to unjustly enrich himself at the expense of another. . . ."

E. First Circuit:

The only First Circuit case located by respondent interpreting § 1338(b) is *Judson Dunaway Corporation v. Hygienic Products Co.* (1 Cir. 1949), 178 F. 2d 461. In that case, plaintiff sued for infringement of registered trademarks on "Sani-Flush" and for unfair competition comprising advertising using a pictorial representation similar to that used by plaintiff. The Court said, at page 463:

". . . Federal jurisdiction over both causes of action under 28 U.S.C.A. § 1338(a) and (b) and under its predecessor statute and the rule of Hurn v. Oursler, 289 U.S. 238, 53 S.Ct. 586, 77 L.Ed. 1148, is clear. Moreover the facts necessary to establish federal jurisdiction on the ground of diversity of citizenship and amount in controversy are conceded. Our jurisdiction over these appeals under 28 U.S.C.A. § 1291 is obvious. . . ."

F. Third Circuit:

In the recent Third Circuit case: *O'Brien v. Westinghouse Electric Corporation* (3 Cir. 1961), 293 F. 2d 1, plaintiff sued for patent infringement of a method of making split-tongsten-carbide dies and for unfair competition based on an alleged confidential disclosure. The Appellate Court held, on the merits, that the unfair competition charge had not been proved, and that the patent was invalid because of prior public use, but the Court also held that it had jurisdiction of the unfair competition count under § 1338(b). The Court said at page 12.

> "... A related claim as used in the statute refers to one which may be proved by substantially the same facts. Maternally Yours, Inc. v. Your Maternity Shop, 2 Cir. 1956, 234 F. 2d 538; American Security Co. v. Shatterproof Glass Corp., supra; Bullock v. Sears, Roebuck Co., D.C.N.D.N.Y., 1956, 142 F. Supp. 646; Falcon Products & Hollow Rod Sales & Service Co., D.C.S.D.Cal. 1955, 135 F. Supp. 91. Virtual identity of proof of the federal and non-federal claims is not required. Maternally Yours, Inc. v. Your Maternity Shop, supra; American Security Co. v. Shatterproof Glass Corp., supra. The fact that the claims for unfair competition arose prior to the claim for patent infringement does not make the former unrelated to the latter. Darsyn Laboratories v. Lonox Laboratories, D.C.D.N.J. 1954, 120 F. Supp. 42, affirmed 3 Cir., 1954, 217 F. 2d 648. Difference in time was not regarded as crucial in determining whether a claim was related under § 1338(b), in Maternally Yours, Inc. v. Your Maternity Shop, supra.

"In Falcon Products v. Hollow Rod Sales & Service Co., supra, the claim for unfair competition under § 1338(b) was based on the use of confidential information disclosed three years prior to the issuance of a patent. Moreover, as was pointed out in Darsyn Laboratories v. Lenox Laboratories, supra, a claim for unfair competition based on acquisition and conversion of a trade secret could only arise prior to the issuance of a patent. After the issuance of the patent such a claim for unfair competition would be inconsistent since the grant of the patent is a public disclosure not only of the process defined in the claims but also of any trade secrets described in the specifications.

"Aside from the issue of chronological identity it is clear that a claim for unfair competition based on the misappropriation of a novel idea given in confidence is related to a claim for patent infringement under 28 U.S.C.A. § 1338(b). Schreyer v. Casco Products Corp., supra; Telechron, Inc. v. Parissi, 2 Cir., 1952, 197 F. 2d 757; Kleinman v. Betty Dain Creations, 2 Cir., 1951, 189 F. 2d 546, 549 (Dissent by Judge Clark). We therefore disagree with the ruling of the trial court that because the two claims involved different periods of time the claim for 'unfair competition' is not related to the claim for patent infringement within the requirements of § 1338(b). . . ."

The Court also said in a footnote, page 13:

"Westinghouse cites several cases from the Seventh Circuit which appear to hold that chronological identity is required under 28 U.S.C.A. § 1338(b). They are Powder Power Tool Corp. v. Powder

Actuated Tool Co., 7 Cir., 1956, 230 F. 2d 409, 413; Strey v. Devine's, Inc., 7 Cir., 1954, 217 F. 2d 187, 189; Enger-Kress Co. v. Amity Leather Products Co., D.C.E.D.Wis. 1955, 18 F.R.D. 347, 348; Hopkins v. Waco Products, Inc., D.C.N.D. Ill. 1952, 107 F. Supp. 885, 888, affirmed 7 Cir. 1953, 205 F. 2d 221. To the extent that these cases are contrary to our holding here, we disagree with them."

G. Fifth Circuit:

The only Fifth Circuit case located by respondent construing § 1338(b) is *Royal Lace Paper Works v. Pest-Guard Products* (5 Cir. 1957), 240 F. 2d 814. In that suit, plaintiff attempted to join a claim for infringement of an unregistered trademark with a claim for unfair competition under § 1338(b). The Court held that neither the Lanham Act 15 U.S.C.A. § 1051-1127 nor § 1338(a) of Title 28 conferred jurisdiction over the unregistered trademark, and that therefore the claim for unfair competition under § 1338(b) was not within the jurisdiction of the Court. The Court said at page 818, referring to § 1338(b):

> ". . . Looked at independently of the decisions cited and relied on by the parties and construed, as such a statute ought to be, as a consistent whole, we find no language in it in terms conferring jurisdiction as to claims dealing with unregistered trade marks or with unfair competition. Specifically concerned, as it is, with registered trade marks, it would, we think, be to rewrite instead of to construe the statute if we should read it as including within its scope unregistered trade marks or unfair competition generally.

"Looking at the statute in the light of the history of federal jurisdiction over trade marks and unfair competition, culminating in the Oursler case and Sec. 1338(b), we think it would require much stronger and more definite assertion of jurisdiction than appears in it to construe it as throwing the doors of the federal courts wide open to any litigation over unregistered trade marks and unfair competition upon the mere claim that the claimed wrongs affect interstate commerce. . . ."

H. Eighth Circuit:

The Eighth Circuit case, *Landstrom v. Thorpe* (8 Cir. 1951), 189 F. 2d 46; cited in the decision of the Ninth Circuit Court of Appeals in the *Pursche v. Atlas* case, here under consideration, was a suit for wrongful registration of a trademark and for unfair competition based upon disparagement of title. The Court said at page 51:

". . . The claim for damages for unfair competition could be asserted in the same action, however, under §1338(b), supra, provided it were 'joined with a substantial and related claim under the * * * trade-mark laws.' This is true because the claim for damages for unfair competition is a common law cause of action and not a federal cause. For such a claim to be 'related' to a case arising under the trade-mark law within the meaning of the statute 'it must appear that both federal and non-federal causes [of action] rest upon substantially identical facts.' French Renovating Co. v. Ray Renovating Co., 6 Cir., 170 F. 2d 945, 947; Hurn v. Oursler, 289 U.S. 238, 248, 53 S.Ct. 586, 77 L. Ed., 1148; Armstrong Paint & Varnish Works

v. Nu-Enamel Corp., 305 U.S. 315, 325, 59 S.Ct. 191, 83 L.Ed. 195; Kaplan v. Helenhart Novelty Corporation, 2 Cir., 182 F. 2d 311; Hanson v. Triangle Publications, Inc., 8 Cir., 163 F. 2d 74, certiorari denied, 332 U.S. 855, 68 S.Ct. 387, 92 L.Ed. 424.

"Damages resulting from the wrongful registration of the trade-mark and for unfair competition must necessarily be proven by the same evidence. It follows that the district court had jurisdiction of both claims. . . ."

However, Professor Moore[2] points out with respect to this case:

". . . Although the Eighth Circuit in Landstrom v. Thorpe (CA 8th, 1951) 189 F. 2d 46, 51, 26 ALR 2d 1170, cert den (1951) 342 US 819, 72 S.Ct. 37, 96 L. ed. 620, applied the now rejected narrow view of the Second and Sixth Circuits, it upheld pendent jurisdiction of the related unfair competition claim. Because the facts required the court to go no further, the *Landstrom* case should not be regarded as *contra* to the broader, and, we believe better, view of 'related.'"

I. Seventh Circuit:

It appears from the foregoing that the First, Second, Third, Fourth, Fifth, Sixth, and Ninth—and possibly the Eighth—Circuits tend to follow a rule of liberal construction of the word "related" appearing in §1338-(b) and interpret it to require only considerable overlap in the factual basis of the Federal claim and the unfair-

[2]Moore's Federal Practice (2nd Ed. 1961), Vol. 1, p. 659.

competition claim. The following Seventh Circuit case shows that a narrower interpretation is followed and that substantially identical facts supporting both the Federal claim and the unfair competition claim are required for a joinder under §1338(b). In *Powder Power Tool Corp. v. Powder Actuated Tool Co.* (7 Cir. 1956), 230 F. 2d 409, the suit was for infringement of a patent and for unfair competition based on sales by plaintiff of patented goods in violation of a sales agreement between plaintiff and defendant. The Court refused jurisdiction under § 1338(b) and said at page 413:

> ". . . the non-federal claim of unfair competition in the case at bar must be 'related' to the federal claim under the patent laws. It must appear that both the federal and non-federal causes rest upon substantially identical facts. Landstrom v. Thorpe, 8 Cir., 189 F. 2d 46, 26 A.L.R. 2d 1170. See also Hurn v. Oursler, 289 U.S. 238, 248, 53 S. Ct. 586, 77 L. Ed. 1148; French Renovating Co. v. Ray Renovating Co., 6 Cir., 170 F. 2d 945, 947. The acts of which plaintiff complains occurred, if at all, two or three years before the patent in suit issued. Defendants had no previous notice that the patent was pending. We hold that the alleged acts of unfair competition were not related to the patent which was issued several years thereafter. Strey v. Devine's, Inc., 7 Cir., 217 F. 2d 187, 189. . . ."

J. Tenth Circuit:

No decisions interpreting 28 U. S. C. §1338(b) have been located.

4. The Decision of the Appellate Court Below.

The decision of the Appellate Court below (Ninth Circuit) regarding joinder under §1338(b) states that the construction of the phrase "related claim" appearing in this statute is satisfied in some circuits "if there exists a 'considerable overlap in their factual basis' and if a substantial amount of the evidence of one claim be relevant to the other." *Pursche v. Atlas Scraper and Engineering Co.* (9 Cir. 1961), 300 F. 2d 467, 483. Petitioner does not challenge this statement, because it is abundantly clear that the Second Circuit and other Circuits now apply this liberal construction of the phrase "related claim". Instead, Petitioner argues that the *Hurn v. Oursler* doctrine should be strictly construed and strictly applied so that a "related claim" should require that "both the federal and non-federal causes rest on substantially identical facts". As pointed out above, the Seventh Circuit case *Powder Power Tool Corp. v. Powder Actuated Tool Co.* (7 Cir. 1956), 230 F. 2d 409, 413, is the principal authority which endorses this narrow construction of the phrase, "related claim".

5. The Unfair Competition Count in the Present Case.

However, the facts in the present case, *Pursche v. Atlas*, now under consideration, show that the claim of unfair competition was based on the utilization and sale of devices which Petitioner was able to manufacture because of the knowledge it had received from Respondent's confidential disclosures and from the improvements to which Respondent was entitled under the license agreement. The continuation by Petitioner after termination of the license agreement to make use of

Respondent's property in its business constituted unfair competition. Thus, as stated at page 483 of the decision of the Appellate Court below:

> "Atlas argues . . . that the claim in question . . . is not 'related' to the claim for the alleged infringement as required by the statute. The contention advanced is that unfair competition is a tort consisting of the violation of a duty rather than the breach of a consensual agreement; that the gist of Pursche's claim is Atlas' breach of promise contained in the royalty license agreement rather than the omission of any duty with the result that the dependent claim does not constitute the tort of 'unfair competition.' However, *the gravamen of Pursche's dependent claim is not Atlas' breach of contract, but rather the activity that followed the breach, more specifically, the utilization and sale of devices which Atlas was able to manufacture because of the knowledge it had received from Pursche's confidential disclosures and from the improvements to which Pursche was allegedly entitled under the licensing agreement.*" (Emphasis added.)
>
> * * * * *
>
> "Atlas' right to manufacture and sell plows embodying Pursche's inventions and improvements ceased upon the termination of the licensing agreement. If Atlas thereafter continued to make use of Pursche's property in its business, this constituted unfair competition within the meaning of section 1338(b). Schreyer v. Casco Products Corp., 190 F. 2d 921 (2d Cir. 1951). . . ."

In a footnote on page 483 the Appellate Court below said:

> "We do not reach the question whether a breach of contract can also be unfair competition. But see, Telechron, Inc. v. Parissi, 197 F. 2d 757 (2d Cir. 1952); and Judge Clarke's dissenting opinion in Kleinman v. Betty Dain Creations, 189 F. 2d 546 (2d Cir. 1951)."

The Appellate Court below also said, on page 484, ". . . the claims of infringement and unfair competition in the instant case have a common background with much of the evidence being pertinent to both."

The Appellate Court also attached importance to Petitioner's wrongful concealment of information, and at page 484 said:

> ". . . The essence of the claim of unfair competition is Atlas' wrongful concealment of information concerning improvements made to the Pursche plows by its employee, Roy L. Chandler. . . ."

All of the Findings of Fact and Conclusions of Law of the trial court relating to the unfair competition claim are set forth in the Appendix to this brief. Note that Finding 80 refers to the concealment by Petitioner, and that Finding 83 relates to the continued use by Petitioner of the Chandler improvements which belong to Respondent. Conclusions of Law Nos. XXIX, XXX, XXXI, and XXXII relate to the concealment and XXXIII and XXXVI relate to the continued use by Petitioner of the Chandler improvements owned by Respondent.

6. The Unfair Competition Count in the Present Case Meets Both the Broad and the Narrow Test for Joinder With the Patent Infringement Count Under 28 U. S. C. § 1338(b).

As pointed out above, Petitioner concedes that the present unfair competition claim meets the liberal test for joinder which requires only a "considerable overlap" in its factual basis with the patent claim and "if a substantial amount of the evidence of one claim be relevant to the other." It is Respondent's position that the unfair competition claim meets not only this liberal test, but also meets the narrower test now relied upon in the Seventh Circuit. Thus the unfair competition claim, comprising the activity of Petitioner in selling devices which were an infringement of the patents in suit and which utilized knowledge received from Respondent's confidential disclosures and utilized the Chandler improvements to which Respondent was entitled, rested on facts which were "substantially identical" to the facts proving infringement of the patents. The same devices manufactured and sold by Petitioner infringed Respondent's patents and wrongfully used Respondent's confidential information and improvements. Respondent urges that even the narrow joinder test of the Seventh Circuit is substantially met by the facts of the present unfair competition claim.

Respondent urges that the Petition for a Writ of Certiorari be denied because the facts of the present case meet *either* the liberal test now employed by the Second Circuit and other Circuits, as well as the narrower test still employed by the Seventh Circuit. Under either test the outcome is the same; the unfair competition claim is "related" to the substantial patent

claim, and therefore joinder is proper under 28 U.S.C. §1338(b).

The third point under "Questions Presented" raised in the Petition for a Writ of Certiorari reads as follows:

> "(c) Is 28 U.S.C. §1338(b) unconstitutional if the term 'related claim' is interpreted to merely require that there exists a considerable overlap in the factual basis of the federal and non-federal causes and that a substantial amount of the evidence of one claim be relevant to the other?"

Petitioner does not present any argument which would show that a Constitutional issue is raised if the phrase "related claim" in that statute is given the liberal construction now employed in the Second Circuit and other circuits. Petitioner merely quotes from Article III, Section 2, of the Constitution, which states the extent of the Judicial Power. No challenge is made by the Petition as to the constitutionality of the narrow test for joinder under §1338(b). Therefore, if the unfair competition claim rests on substantially identical facts as required by the Seventh Circuit rule strictly applying the *Hurn v. Oursler* doctrine, no constitutional question is raised. As pointed out above, it is Respondent's position that the single wrong—the use by Petitioner of Respondent's property—employs substantially identical facts to prove both the patent infringement claim and the unfair competition claim, and hence the narrow test is met in the present case.

Under these circumstances this Court need not decide any constitutional issue, since the case can be disposed of on the ground that the narrow test for joinder under §1338(b) has been met. As stated by this Court in

Siler v. Louisville & N.R. Co. (1909), 213 U. S. 174, 193, 53 L. Ed. 752, 758:

> "Where a case in this court can be decided without reference to questions arising under the Federal Constitution, that course is usually pursued and is not departed from without important reasons. . . ."

And, as stated by this Court in *Alma Motor Co. v. Timken-Detroit Axle Co.* (1946), 329 U. S. 129, 136, 91 L. Ed. 128, 133:

> "This Court has said repeatedly that it ought not pass on the constitutionality of an act of Congress unless such adjudication is unavoidable. This is true even though the question is properly presented by the record. If two questions are raised, one of non-constitutional and the other of constitutional nature, and a decision of the non-constitutional question would make unnecessary a decision of the constitutional question, the former will be decided. . . ."

Conclusion.

For the foregoing reasons, the Petition for a Writ of Certiorari should be denied.

Respectfully submitted.

LYON & LYON,
LEWIS E. LYON,
JOHN B. YOUNG,
Attorneys for Respondent.

APPENDIX.

Trial Court Findings of Fact.

1.

The party Harry A. Pursche is a citizen and inhabitant of the State of California and resides in the City of Gardena, County of Los Angeles, State of California.

2.

The party Atlas Scraper and Engineering Co. is a California corporation having a regular and established place of business in Bell, in the County of Los Angeles and State of California.

18.

The parties Harry A. Pursche and Atlas Scraper and Engineering Co. entered into a royalty license agreement dated April 3, 1948, Exhibit 7 (Item B-19). Prior to that time, the party Atlas Scraper and Engineering Co. had never built a two-way plow, nor any kind of plow.

19.

The two-way plows constructed by the party Harry A. Pursche and as shown substantially in the drawings of Patents Nos. 2,625,089; 2,625,090; 2,625,091; 2,659,284, and 2,633,786, were made available to the party Atlas Scraper and Engineering Co. for measurement and study of its management and its engineers.

20.

The party Atlas Scraper and Engineering Co. manufactured and sold wheel carriage two-way plows as shown in Exhibits 18 and 19, and tractor mounted two-way plows similar to those shown in Exhibit 22, between April 3, 1948, and July 13 1952, under the royalty

license agreement, Exhibit 7, (Item B-19), and paid royalties to Harry A. Pursche as required by said agreement.

23.

Effective July 13, 1952, the party Atlas Scraper and Engineering Co. cancelled the royalty license agreement Exhibit 7, (Item B-19), in accordance with Paragraph XIII of the agreement, but continued to manufacture and sell devices of the type shown in Exhibits 18, 19 and 22, without further payment of royalties.

57.

Paragraph IX of the license agreement, Exhibit 7, (Item B-19), contains the following provisions:

"Atlas agrees, for itself and for its sub-licensees, to promptly and fully disclose to Pursche any and all inventions, improvements, modifications and betterments made, discovered or acquired by Atlas and/or its sub-licensees relating to the plow construction forming the subject matter of this agreement; and any and all such inventions, improvements, modifications and betterments upon the aforesaid plow construction made during the life of this agreement by or through the efforts of Atlas and/or its sub-licensees, or coming under the control of Atlas or its sub-licensees, shall belong to Pursche whether patentable or not and shall be properly assigned to Pursche by Atlas, free from any payment or compensation therefore, to full extent of the interest of Atlas or its sublicensees, therein, * * *."

58.

On or about November, 1950, Roy L. Chandler entered the employ of the party Atlas Scraper and En-

gineering Co. as an engineer and designer, and left such employment on or about September, 1956.

59.

While said Roy L. Chandler was in the employ of the party Atlas Scraper and Engineering Co. and during the term of the license agreement, Exhibit 7 (Item B-19), he made certain inventions, improvements, modifications, or betterments for two-way plows of the type covered by the said license agreement.

60.

Said inventions, improvements, modifications, and betterments of Roy L. Chandler were made in the course of his employment as an engineer and designer while working on projects assigned to him by management of the party Atlas Scraper and Engineering Co.

61.

One of the inventions, improvements, modifications, or betterments so developed by said Roy L. Chandler was a gear type rollover mechanism for turning the plow carrier on the longitudinal beam. One form of the device is shown in Chandler Patent No. 2,817,241, Exhibit No. 44.

62.

Another form of the gear type rollover mechanism developed in part by Roy L. Chandler is shown in the Chandler and Ogle patent No. 2,830,519, Exhibit AR.

63.

Another invention, improvement, modification, or betterment developed by said Roy L. Chandler during the term of the license agreement, Exhibit 7 (Item

B-19), was a butterfly tail wheel device shown in Exhibits 33 and 51.

64.

Said butterfly tail wheel device was reduced to practice by the party Atlas Scraper and Engineering Co. by the building and testing of a full-scale device in the spring of 1952, and prior to the termination of the license agreement, Exhibit 7 (Item B-19).

65.

An interference proceeding No. 88135 in the United States Patent Office was declared between patent application Serial No. 334,578 filed February 2, 1953, in the name of Roy L. Chandler and a patent application Serial No. 323,200 filed November 29, 1952, by the party Harry A. Pursche, and was prosecuted by the party Atlas Scraper and Engineering Co. against the party Harry A. Pursche, which interference proceeding was decided in favor of Chandler and that decision has become final.

66.

Another invention, improvement, modification, or betterment developed by said Roy L. Chandler while in the employ of the party Atlas Scraper and Engineering Co., as an engineer and designer, is the chain type wheel device shown in the Chandler Patent No. 2,773,439, Exhibit 42.

67.

The party Atlas Scraper and Engineering Co. caused United States patent applications to be filed in the name of its employee, Roy L. Chandler, relating to the butterfly tail wheel device, the gear type rollover mechanism and the chain type tail wheel device in an

attempt to circumvent the requirement of the license agreement, Exhibit 7 (Item B-19), and to evade the obligation of assignment of title to the party Harry A. Pursche.

68.

All patent applications filed in the name of Roy L. Chandler or Roy L. Chandler and another were prepared and filed by attorneys for the party Atlas Scraper and Engineering Co.

69.

The party Atlas Scraper and Engineering Co. paid all fees and expenses in connection with the filing and prosecution of each of the applications filed in the name of said Roy L. Chandler or in the name of Roy L. Chandler and another.

70.

No invoices for fees or expenses in connection with filing or prosecuting patent applications in the name of Roy L. Chandler or Roy L. Chandler and another were ever sent to Roy L. Chandler, but on the contrary, all were sent to the party Atlas Scraper and Engineering Co.

71.

The character of the engineering work performed by Roy L. Chandler while in the employment of the party Atlas Scra[illegible] and Engineering Co. was that of engineering, layout, and design and not merely that of a draftsman.

72.

On or about November 1, 1957, the party Atlas Scraper and Engineering Co. entered into a written license agreement with said Roy L. Chandler, Exhibit 43A.

73.

Roy L. Chandler was not represented by counsel, other than counsel for the party Atlas Scraper and Engineering Co., in negotiating the license agreement, Exhibit 43A.

74.

Foreign patent applications were filed by the party Atlas Scraper and Engineering Co. in Great Britain, Canada, and Mexico, corresponding to the United States patent application in the name of Roy L. Chandler, Serial No. 334,578, Exhibit 51.

80.

During the term of the license agreement, Exhibit 7 (Item B-19), the party Atlas Scraper and Engineering Co. concealed from the party Harry A. Pursche development activities of its employee, Roy L. Chandler, in two-way plows.

81.

That the developments made and disclosed in the Chandler application Serial No. 334,578, Exhibit 51; in the Chandler Patent No. 2,773,439, Exhibit 42; in the Chandler Patent No. 2,817,241, and the rollover mechanism as shown in Figure 6 of the Chandler and Ogle Patent No. 2,830,519, Exhibit AR, and the tail wheel shown and described in said patent, were improvements, modifications, and betterments upon the Pursche plows and were made or conceived within the term of the license agreement, Exhibit 7 (Item B-19), and were made within the provisions of said agreement and through the efforts and under the control of the party Atlas Scraper and Engineering Co. and its employee, Roy L. Chandler.

82.

The said improvements, modifications, and betterments of the preceding Finding were made at the cost and expense of the party Atlas Scraper and Engineering Co. by its employees who acted under its direction; and all costs and expenses thereof, including the material which was used in their development, the time which was consumed in their development and all costs in conpection with the reduction to practice of the devices embodying the developments were borne by the party Atlas Scraper and Engineering Co.

83.

The party Atlas Scraper and Engineering Co., in failing and refusing to carry out its obligations under the provisions of Paragraph IX, Exhibit 7 (B-19), with respect to the said improvements, modifications, and betterments as defined in the two preceding Findings of Fact, and in continuing to use and utilize said improvements, modifications, and betterments without compensation to, or without the authority and consent of the party Harry A. Pursche, has competed unfairly with Harry A. Pursche.

84.

The party Atlas Scraper and Engineering Co., prior to the termination date of the license agreement, Exhibit 7 (B-19), held out to the trade and to the purchasing public that the rollover plows which were offered for sale under the agreement, Exhibit 7 (B-19), were the development and invention of Harry A. Pursche.

Trial Court Conclusions of Law.

XXVIII.

This Court has jurisdiction of the claim for unfair competition because it is joined with the related claim under the patent statutes, United States Code, Title 28, Section 1338(b).

XXIX.

The party Atlas Scraper and Engineering Co. acted unfairly in concealing and failing to disclose to the party Harry A. Pursche development activities in two-way plows during the term of the license agreement, Exhibit 7 (Item B-19).

XXX.

The party Atlas Scraper and Engineering Co. acted unfairly in concealing from the party Harry A. Pursche the filing of patent applications in the name of its employee, Roy L. Chandler relating to two-way plow improvements developed during the term of the license agreement, Exhibit 7 (Item B-19).

XXXI.

Roy L. Chandler was employed by the party Atlas Scraper and Engineering Co. as an engineer and designer and improvements developed by him in the course of his employment came within the terms of Paragraph IX of the Pursche-Atlas agreement of April 3, 1948, Exhibit 7 (Item B-19).

XXXII.

Failure of the party Atlas Scraper and Engineering Co. to assign to the party Harry A. Pursche inventions, improvements, modifications and betterments as required by Paragraph IX of the license agreement, Exhibit 7 (Item B-19), and the attempt to evade this requirement by concealing from and failing to disclose to the party Harry A. Pursche the patent applications filed in the name of Roy L. Chandler were in violation of said Paragraph IX and constituted unfair competition as to the party Harry A. Pursche.

XXXIII.

The continued use by the party Atlas Scraper and Engineering Co. of developments of Roy L. Chandler so withheld did and does constitute unfair competition as to the party Harry A. Pursche.

XXXIV.

The acts of the party Atlas Scraper and Engineering Co. in filing patent applications in the name of Roy L. Chandler, and Roy L. Chandler and another on inventions, improvements, modifications or betterments belonging to the party Harry A. Pursche under the license agreement, Exhibit 7 (Item B-19), constituted unfair competition.

XXXV.

The inventions made by Roy L. Chandler during his employment by and under the direction of the party Atlas Scraper and Engineering Co. and at its sole cost and expense, were within the provisions of the

agreement, Exhibit 7 (Item B-19), and in failing and refusing to transfer the said inventions to the party Harry A. Pursche, the party Atlas Scraper and Engineering Co. has competed unfairly with the party Harry A. Pursche.

XXXVI.

The party Atlas Scraper and Engineering Co. having continuously used the developments, improvements and betterments in the gear roll-over mechanism, Exhibit 44, and as shown in Figure 6 of Patent No. 2,830,519, Exhibit AR, subsequent to the terms of the agreement, Exhibit 7 (Item B-19), and in derogation of its obligations under said agreement has competed unfairly with the party Harry A. Pursche.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962
No. 124

ATLAS SCRAPER AND ENGINEERING CO.,

vs.

HARRY A. PURSCHE.

Reply Brief for Petitioner in Support of Petition for Writ of Certiorari.

R. WELTON WHANN,
ROBERT M. McMANIGAL,
315 West Ninth Street,
Los Angeles 15, California,
Attorneys for Petitioner.

Parker & Son, Inc., Law Printers, Los Angeles. Phone MA. 6-9171.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 124

ATLAS SCRAPER AND ENGINEERING CO.,

vs.

HARRY A. PURSCHE.

Reply Brief for Petitioner in Support of Petition for Writ of Certiorari.

Reasons Why Writ Should Be Granted.

Petitioner respectfully submits that **Respondent is in Error** in his contentions in the section entitled "Reasons for Denying the Writ" on page 3 of his Brief, which read as follows:

> "1. The unfair competition claim in this case meets either the liberal test or the narrow test for joinder with the patent infringement claim, under 28 U. S. C. §1338(b). * * * Accordingly, this case does not present the issue to which the Petition is directed.
>
> "2. The constitutional issue presented in question (c) on page 3 of the Petition need not be decided in order to dispose of this case, since the present unfair competition claim meets the narrow test for joinder, as well as the more liberal test, and no challenge to the constitutionality of the narrow test is raised by the Petition."

1. Petitioner respectfully submits that the unfair competition claim in this case does not meet the narrow test of joinder with the patent infringement claim under 28 U. S. C. 1338(b). The patent infringement and unfair competition causes of action are entirely separate and distinct, and clearly do not rest on substantially identical facts. In fact, proof of the claims of patent infringement involved almost nothing that was relevant to any of the claims of unfair competition. This is clearly shown by:

(A) Respondent's "Statement of the Case" on page 2 of his Brief, which statement reads as follows:

> "The 'Statement of the Case' set forth in the Petition, pages 4, 5, omits important facts bearing on the unfair competition claim. Respondent Harry A. Pursche is a farmer and raised truck garden crops on a large-scale basis in Southern California (R. 69). He personally constructed five two-way plows of different sizes and used them himself (R. 70, 71) in his farming operations (R. 70-72). He made all five plows available to petitioner for measurement and study; prior to that time Petitioner had never built a two-way plow, nor any kind of plow (R. 74). Petitioner then began to build two-way plows under license (R. 74) using confidential information acquired from Respondent (Pet. p. 35). Later Petitioner cancelled the license and continued to manufacture and sell the same devices without payment of royalties (R. 75). Respondent then sued for patent infringement and unfair competition (R. 29-32)."

This "Statement of the Case" states that the Petition "* * * omits important facts bearing on the unfair competition claim. * * *" It makes no mention whatever of the infringement claim. This "Statement of the Case" plainly shows that the facts relating to the unfair competition claim are entirely separate from those relating to the patent infringement claims.

The only portion of the respondent's additional facts which are included in this "Statement of the Case" that have any bearing on the question of patent infringement are those which are included in the last four lines of the "Statement of the Case" and relate to the continued manufacture and sale of the same devices after the cancellation of the license.

There is no basis whatever for the sentence in the "Statement of the Case" reading as follows:

> "* * * Petitioner then began to build two-way plows under license (R. 74) using confidential information acquired from Respondent (Pet. p. 35). * * *"

The reference "Pet. p. 35" is to the Appellate Court's decision. The statement by the Appellate Court is unsupported by any Finding of Fact. See *infra* under Section numbered 5.

(B) The Appellate Court's statement that "* * * the gravamen of Pursche's dependent claim is not Atlas' breach of contract, but rather the activity that followed the breach, more specifically, the utilization and sale of devices which Atlas was able to manufacture because of the knowledge it had received from Pursche's confidential disclosures and from the improvements to

which Pursche was allegedly entitled under the licensing agreement." (Op. p. 483, Pet. pp. 35-36).

The Appellate Court's statement at page 484 (Pet. p. 38):

> "* * * The essence of the claim of unfair competition is Atlas' wrongful concealment of information concerning improvements made to the Pursche plows by its employee, Roy L. Chandler. * * *"

It is clear from the above statements of the Appellate Court that the unfair competition issue is based on facts which have nothing whatsoever to do with the infringement issues.

(C) The Findings of Fact and Conclusions of Law which are decisive with respect to this point are those which are included in the Findings of Fact and Conclusions of Law, of which there are two separate and distinct groups. Findings of Fact Nos. 57 to 84, inclusive, and Conclusions of Law Nos. XXIX to XLIII, inclusive, relate to the claim of unfair competition. These Findings of Fact [R. 87-90] and Conclusions of Law [R. 95-99] relate to:

(1) the execution and terms of the Pursche-Atlas license agreement;

(2) Roy L. Chandler's employment by Atlas;

(3) the character of the engineering work performed by Chandler while in the employ of Atlas;

(4) the inventions, improvements, modifications and betterments developed by Chandler;

(5) the failure of Atlas to assign to Pursche "inventions, improvements, modifications and bet-

terments" as required by the Pursche-Atlas license agreement;

(6) concealing and failing to disclose to Pursche development activities as required;

(7) concealing from Pursche the filing of patent applications in the name of its employee, Roy L. Chandler;

(8) continued use by the party Atlas of developments of Roy L. Chandler so withheld;

(9) the acts of the party Atlas in filing patent applications in the name of Roy L. Chandler, and Roy L. Chandler and another, on inventions, improvements, modifications or betterments belonging to the party Harry A. Pursche * * * all at the sole cost and expense of Atlas * * * and prepared and filed by attorneys for Atlas;

(10) prosecution by Atlas of an interference proceeding in the United States Patent Office against Pursche, which interference proceeding was decided in favor of Chandler; and

(11) that Atlas "held out to the trade and to the purchasing public that the rollover plows which were offered for sale under the agreement, Exhibit 7 (B-19) were the development and invention of Harry A. Pursche".

The other Findings of Fact, Nos. 4 to 56, inclusive, and Conclusions of Law Nos. I to XXVII, inclusive, relate to the patent infringement claims.

An examination of those Findings of Fact and Conclusions of Law clearly shows that none of the Findings of Fact or Conclusions of Law relating to the patent in-

fringement claims relates to the unfair competition claim, and also that none of the Findings of Fact or the Conclusions of Law on the unfair competition claim relates to the patent infringement claims.

(D) The proof with respect to the infringement of respondent's patents is set forth on page 13 of the Petition. The operative facts consisted of:

(1) the patents;

(2) the prior art;

(3) the scope of the claims of the patents;

(4) the complete plow structures manufactured and sold by petitioner; and

(5) determinations of whether or not these structures come within the claims of the patents.

These determinations included expert testimony as to the patents, the prior art, petitioner's plows and various questions of interpretation of the patents in suit.

Proof of infringement of the patents would require no evidence whatever of items (1), (2), (3), (4), (5), (6), (7), (9), (10) and (11) on page 4, *supra*, or the details of construction of item (8) on page 5, *supra*.

Proof of all of the items (1) to (11) *supra* would not establish infringement of any of the patents in suit.

The entire infringement case could have been proved without including any of the facts contained in Findings of Fact Nos. 57 to 84, inclusive, and an action for unfair competition could have been proved without including any of the facts contained in the Findings of Fact

relating to the patents and the infringement or non infringement thereof.

Obviously, therefore, the patent infringement and the unfair competition causes of action in this case are entirely separate and distinct. Clearly, the unfair competition claim does not meet the narrow test of joinder with the patent infringement claim under Section 1338(b), and it is at least doubtful if it meets the liberal test of joinder, with the possible exception of the application of that rule in the Second Circuit.

2. Since the unfair competition claim in this case does not meet the test of joinder specified in *Hurn v. Oursler*, 289 U. S. 238, the constitutional issue presented in question (c) on page 3 of the Petition, namely:

> "Is 28 U.S.C §1338(b) unconstitutional if the term 'related claim' is interpreted to merely require that there exists a considerable overlap in the factual basis of the federal and non-federal causes and that a substantial amount of the evidence of one claim be relevant to the other?"

should be decided by this Court.

Respondent does not contend that this Court need not decide this constitutional issue if the narrow test for joinder under Section 1338(b) has not been met. We respectfully submit that the facts in this case clearly demonstrate that the narrow test of joinder has not been met.

The Appellate Court concluded that it had jurisdiction because the patent infringement claims and the unfair competition claim have a "common background with much of the evidence being pertinent to both" (Op. 484, Pet. pp. 37-38).

We respectfully submit that the more liberal construction of Section 1338(b), as applied by the Appellate Court, is unconstitutional because it enlarges the jurisdiction of the Federal Courts beyond that prescribed by Section 2 of Article III of the Constitution of the United States. This Section is set forth on page 15 of the Petition. See *Hurn v. Oursler*, 289 U. S. 238, at pages 245 and 246.

A statute regulating the jurisdiction of the Supreme Court, as of any federal constitutional court, must of course, delimit jurisdiction within the grant of the judicial power in Article III. "Turn to the article of the constitution of the United States, for the statute cannot extend the jurisdiction beyond the limits of the constitution." Mr. Chief Justice Marshall, in *Hodgson v. Bowerbank*, 5 Cranch 303, 304, 3 L. Ed. 108.

It is well established that federal jurisdiction is not to be extended beyond the scope permitted by a strict construction of the statute upon which it rests.

Indianapolis v. Chase National Bank, 314 U. S. 63, 62 S. Ct. 15, 86 L. Ed. 47;

Thomson v. Gaskill, 315 U. S. 442, 62 S. Ct. 673, 86 L. Ed. 951;

Healy v. Ratta, 292 U. S. 263, 270, 54 S. Ct. 700, 703, 78 L. Ed. 1248.

1. **Reply to Respondent's Section Entitled: "1. Decisions Prior to the Enactment of 28 U. S. C. §1338(b)."**

The cases in this portion of Respondent's Brief, namely, *Hurn v. Oursler* (1933), 289 U. S. 238, 53 S. Ct. 386, 77 L. Ed. 1148, and *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.* (1938), 305 U. S. 315, 59 S. Ct. 191, 83 L. Ed. 195, do not support the respondent's contentions.

Both of these cases clearly define the "substantially identical facts" rule, namely, that if the nonfederal cause of action is based upon facts not substantially identical with the facts upon which the federal cause of action is based, the Federal Court has no jurisdiction over the nonfederal cause of action.

In *Hurn v. Oursler*, the complaint stated a claim of copyright infringement and also sought relief upon the ground that the very same acts constituting the alleged copyright infringement constituted unfair competition under the state law. At pages 246 and 247, the Court held:

> "* * * The primary relief sought is an injunction to put an end to an essentially single wrong, however differently characterized, not to enjoin distinct wrongs constituting the basis for independent causes of action. The applicable rule is stated, and authorities cited, in *Baltimore S. S. Co. v. Phillips*, 274 U. S. 316. 'A cause of action does not consist of facts,' this court there said (p. 321), 'but of the unlawful violation of a right which the facts show. The number and variety of the facts alleged do not establish more than one cause of

action so long as their result, whether they be considered severally or in combination, is the violation of but one right by a single legal wrong. . . . 'The facts are merely the means, and not the end. They do not constitute the cause of action, but they show its existence by making the wrong appear.'"

"Thus tested, the claims of infringement and of unfair competition averred in the present bill of complaint are not separate causes of action, but different grounds asserted in support of the same cause of action."

The complaint in *Hurn v. Oursler* also contained a claim of unfair competition based on an uncopyrighted revision of the copyrighted play. In holding that the uncopyrighted revision was entirely outside the federal jurisdiction, the Court held at page 248:

"* * * The bill as amended, although badly drawn, sets forth facts alleged to be in violation of two distinct rights, namely, the right to the protection of the copyrighted play, and the right to the protection of the uncopyrighted play. From these averments two separate and distinct causes of action resulted, one arising under a law of the United States, and the other arising under general law. * * *"

Obviously, in *Hurn v. Oursler* (1933), 289 U. S. 238, 77 L. Ed. 1148, there existed a considerable overlap in the factual basis of the federal (the copyrighted play) and nonfederal (the uncopyrighted revision of the copyrighted play) causes and a substantial amount of the evidence of the copyrighted play was relevant to the uncopyrighted revision, but the Supreme Court de-

cided that this overlap in the factual basis and substantial amount of evidence relevant to both claims were not sufficient to give the Federal Court jurisdiction over this nonfederal cause of action.

According to *Hurn v. Oursler, supra* and *Armstrong Paint & Varnish Works v. Nu-Enamel Corp., supra*, it is not sufficient that both claims require identical proof of certain facts; federal jurisdiction of the nonfederal claim fails if, in addition to the facts supporting the federal claim, plaintiff, to sustain the nonfederal claim, must rely on substantial supplemental proof not relevant to the federal claim.

2. Reply to Respondent's Section Entitled: "2. The Enactment of 28 U.S.C. §1338(b)."

The Reviser's Notes to Section 1338 make it plain that the existing law was codified by Section 1338(b). That law was best expressed in the leading cases of *Hurn v. Oursler, supra*, and *Armstrong Paint & Varnish Works v. Nu-Enamel Corp., supra*. Please note the Report from the Committee on the Judiciary House of Representatives to accompany H. R. 3214, Report No. 308, 80th Congress 1st Session, pages A6 and A119 (1947). The Reviser's Notes in Section 1338 read, in part, as follows:

> "Subsection (b) is added and is intended to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court. While this is the rule under Federal decisions, this section would enact it as statutory authority. The problem is discussed at length in *Hurn v. Oursler* (1933, 53

S. Ct. 586, 289 U. S. 238, 77 L. Ed. 1148) and in *Musher Foundation v. Alba Trading Co.* (C.C.A. 1942, 127 F. 2d 9) (majority and dissenting opinions)."

In other words, according to the intention of the Revisers, Section 1338(b) codified the decision of This Court in *Hurn v. Oursler*.

The words "related claim" in the Statute undoubtedly came from the use of those words in a footnote of the *Hurn v. Oursler* opinion, 289 U. S. 238 at page 241.

Mr. William W. Barron, the Chief Reviser of the Code, in his article entitled "The Judicial Code 1948 Revision", 8 F. R. D. 439, with respect to Section 1338(b) stated:

"UNFAIR COMPETITION

Subsection (b) of section 1338 is new. It is added to give to district courts original jurisdiction of any civil action asserting a claim for unfair competition when joined with a substantial and related claim under the patent, copyright or trademark laws. *The Supreme Court in Hurn v. Oursler*[20] *held that such a claim for unfair competition of which a federal court has no original jurisdiction is nevertheless within its ancillary jurisdiction when it arises from the same acts which give rise to the claim of copyright infringement.*

The statutory confirmation of the jurisdiction of federal courts in cases like these should not be regarded either as an extension or limitation of ancillary jurisdiction in other cases or under other circumstances.[21]" (at p. 442; emphasis added).

At pages 445-446 of said Article, Mr. Barron stated:

> "* * * no changes of law or policy will be presumed from changes of language in revision unless an intent to make such changes is clearly expressed. Mere changes of phraseology indicate no intent to work a change of meaning, but merely an effort to state in clear and simpler terms the original meaning of the statute revised."

Judge Albert B. Maris of the Third Circuit, a member of a committee of the Judicial Conference of the United States to collaborate with the congressional committees in carrying forward the work of this revision, stated that: "Care has been taken to make no changes in the existing laws which would not meet with substantially unanimous approval." (Hearings before Subcommittee No. 1 of the House Judiciary Committee on H. R. 1600 and H. R. 2055, 80th Cong., 2d Sess., p. 1959).

This Court's decision in *Fourco Glass Co. v. Transmirra*, 353 U. S. 222, 1 L. Ed. 2d 786, is directly in point with respect to whether or not Section 1338(b) changed the rule of *Hurn v. Oursler*, *supra*, and demonstrates the importance of the Revisers' Notes and of statements of individuals having importantly to do with the revision to the effect that no change in the law is to be presumed unless clearly expressed.

The *Fourco Glass Co.* case dealt with the interpretation of 28 U. S. C. 1400(b). The *following excerpts* from the opinion of that case *apply with equal force in the interpretation of 28 U. S. C. 1338(b)*:

> "The question here, then, is simply whether there has been a substantive change in that statute since

the Stonite case (Stonite Co. v. Melvin Lloyd Co., 315 U. S. 561). If there has been such change, it occurred in the 1948 revision and recodification of the Judicial Code.[5] * * * (p. 225).

"The reports of the Committee on the Judiciary of the Senate,[6] and of the House,[7] respecting the 1948 revision and recodification of the Judicial Code, make plain that every change made in the text is explained in detail in the Revisers' Notes. * * * (p. 226).

"Statements made by several of the persons having importantly to do with the 1948 revision are uniformly clear that no changes of law or policy are to be presumed from changes of language in the revision unless an intent to make such changes is clearly expressed.[8] (p. 227).

* * *

"In the light of the fact that the Revisers' Notes do not express any substantive change, and of the fact that several of those having importantly to do with the revision say no change is to be presumed

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[5]62 Stat. 869.

[6]S. Rep. No. 1559, 80th Cong., 2d Sess., p. 2, which contains the statement "Appended to the report are the revisers' notes to each section, together with accompanying tables. These explain in great detail the source of the law and the changes made in the course of the codification and revision."

[7]H. R. Rep. No. 308, 80th Cong., 1st Sess., p. 7, which contains the statement "The reviser's notes are keyed to sections of the revision and explain in detail every change made in text."

[8]This note included the excerpt from Mr. Barron's Article on pp. 445-446 of 8 F.R.D. and the statement of Judge Maris, supra.

unless clearly expressed, and no substantive change being otherwise apparent, we hold that 28 U. S. C. §1400(b) made no substantive change from 28 U. S. C. (1940 ed.) §109 as it stood and was dealt with in the Stonite case." (p. 227).

3. Reply to Section 3 of Respondent's Brief.

"3. Decisions Following Enactment of 28 U.S.C. §1338(b)."

In this section the respondent sets forth a biased presentation of decisions following the enactment of 28 U. S. C. A. Section 1338(b).

However, even that presentation clearly shows the conflict that exists among the circuits over the construction of the phrase "related claim" appearing in this statute.

It also clearly demonstrates that (using the language of this Court in *Hurn v. Oursler*) "the lower federal courts have reached different conclusions" and that "the opinions present a great variety of views and of differences".

We disagree with the statement on page 19 of the Respondent's Brief, which reads as follows:

> "It appears from the foregoing that the First, Second, Third, Fourth, Fifth, Sixth, and Ninth—and possibly the Eighth—Circuits tend to follow a rule of liberal construction of the word 'related' appearing in §1338-(b) and interpret it to require only considerable overlap in the factual basis of the Federal claim and the unfair-competition claim."

The cases referred to by the respondent clearly do not support his contention with respect to the First, Fifth or Sixth Circuits.

Second Circuit.

In the Petition, petitioner has shown that while the Second Circuit has changed its position with respect to the construction of Section 1338(b), that change was effected by different Judges (Pet. p. 12).

How far the Second Circuit has gone to disregard the decisions of this Court, and how very liberal the Second Circuit view is with regard to joinder of non-federal causes of action, is clearly shown in *Bullock v. Sears Roebuck* (1956), 239 F. 2d 170.

The opinion of the Trial Court (Chief Judge Brennan, D. C. N. D. N. Y.) is reported in 142 Fed. Supp. 646, and reads in part as follows (at pp. 649 and 650).

> "[5] This appears to be a simple case based upon a claim of infringement of mechanical patents. The unfair competition cause of action depends upon a similarity in the appearance and markings of the two sprayers, the existence of a secondary meaning in plaintiffs' product and the lack of the name of the manufacturer upon the defendant's sprayer.

The opinion of the Second Circuit, reversing the Trial Court, is reported at 239 F. 2d 170 and reads as follows:

> "This is a suit which joined with a claim of patent infringement a claim of unfair competition. * * * *The complaint alleges sufficient interrelation between the two claims to establish federal jurisdiction under 28 U.S.C.A. §1338(b),* as interpreted

in Maternally Yours, Inc. v. Your Maternity Shop, Inc. 2 Cir., 234 F. 2d 538, 544, which was decided subsequently to the judgment on appeal." (Emphasis added).

Sixth Circuit.

That the Sixth Circuit does not follow the liberal view, and has consistently required that "both the federal and nonfederal causes rest on substanitally identical facts" is apparent from the cases referred to on pages 6 and 7 of Petitioner's Petition, together with the following cases:

(1) *French Renovating Co. v. Ray Renovating Co.*, 170 F. 2d 945, 947; and

(2) *General Motors Corp. v. Rubsam Corp.*, 65 F. 2d 217, 218.

In *Lyon v. Quality Courts United, Inc.*, 249 F. 2d 790 (the case cited by the Ninth Circuit in its opinion at page 483 of 300 F. 2d 467, and Pet. p. 37), the Sixth Circuit decision at page 795, expressly states that the claim of unfair competition was closely related to the trade-mark claim.

That the *Lyon* case (which was decided in 1957) did not change the Sixth Circuit rule is clearly evidenced by the following cases:

(1) *Dann v. Studebaker-Packard Corporation*, 288 F. 2d 201 (1961);

(2) *Preformed Line Products Co. v. Fanner Mfg. Co.* (D.C. Ohio, decided Jan. 6, 1960), 120 U. S. P. Q. 288, 309.

4. Reply to Section 4 of Respondent's Brief.

"4. The Decision of the Appellate Court Below."

The decision of the Appellate Court at page 483 (Pet. p. 37) correctly states that "There is some conflict among the circuits over the construction of the phrase 'related claim' appearing in this statute; some require that 'both the federal and nonfederal causes rest on substantially identical facts', * * * while others are satisfied if there exists a 'considerable overlap in their factual basis' and if a substantial amount of the evidence of one claim be relevant to the other. * * *"

In support of the last-mentioned part of said statement, the Court cited *Maternally Yours v. Your Maternity Shop*, 234 F. 2d 538 at 543 (C. A. 2, 1956), and *Lyon v. Quality Courts Limited*, 249 F. 2d 790 at 795 (C. A. 6, 1957), and quoted a portion of the Reviser's Note to Section 1338.

With respect to the above cases and Note, we respectfully submit:

(a) That the liberal view of the Second Circuit is clearly in conflict with the decisions of this Court.

(b) That the Sixth Circuit requires that "both the federal and nonfederal causes rest on substantially identical facts."

(c) That the Appellate Court significantly omitted the last portion of the Reviser's Note to Section 1338.

5. Reply to Section 5 of Respondent's Brief.

"5. The Unfair Competition Count in the Present Case."

The Appellate Court based its decision with respect to unfair competition primarily on (1) the utilization and sale of devices which petitioner was able to manufacture because of the knowledge it had received from respondent's confidential disclosures, and (2) the utilization of devices which included improvements to which respondent was allegedly entitled under the licensing agreement.

There was no confidential disclosure. There is no Finding of Fact of any confidential disclosure by respondent to petitioner, or of any use by petitioner of confidential information. Finding 19 [R. 74] merely states that the plows constructed by Pursche and as shown substantially in the drawings of the patents in suit were made available to Atlas for measurement and study.

Some of the respondent's plows were publicly shown in Hemet, California at a fair in the Fall of 1947 [R. 71].

The Pursche-Atlas Agreement was entered into April 3, 1948 [Find. of Fact 18, R. 74]. Therefore, there had been public disclosures of the plows and the information Atlas got from examining the plows was of a public nature. Furthermore, after the issuance of the patents which occurred in 1953 [R. 90, 91] there could no longer be any confidential information.

Schreyer v. Casco Products Co., 190 F. 2d 921 (C. A. 2, 1951) does not support the Court's contention (Op. p. 483, Pet. p. 36), which reads:

> "Atlas' right to manufacture and sell plows embodying Pursche's inventions and improvements

ceased upon the termination of the licensing agreement. If Atlas thereafter continued to make use of Pursche's property in its business, this constituted unfair competition within the meaning of section 1338(b)."

for the reasons enumerated above.

6. **Reply to Respondent's Section Entitled:**

"6. The Unfair Competition Count in the Present Case Meets Both the Broad and the Narrow Test for Joinder With the Patent Infringement Count Under 28 U.S.C. §1338(b)."

This section has been answered on pages 1 to 7, *supra*.

Conclusion.

The Constitution specifies the division of jurisdiction between the Federal and State Courts — which division should be clearly enunciated by this Court and uniformly administered in all of the United States Federal Courts.

Petitioner respectfully submits there is a great need for an authoritative ruling on the questions of pendent jurisdiction presented by the Petition.

Such a ruling will not only be of great benefit to the Lower Courts and to litigants and lawyers interested in patent, trade-mark and copyright matters, but to all faced with pendent jurisdictional problems.

For the foregoing reasons, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

R. WELTON WHANN,
ROBERT M. MCMANIGAL,
Attorneys for Petitioner.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 124

ATLAS SCRAPER AND ENGINEERING CO.,

vs.

HARRY A. PURSCHE.

PETITION FOR REHEARING.

R. WELTON WHANN,
ROBERT M. MCMANIGAL,
315 West Ninth Street,
Los Angeles 15, California,
Attorneys for Petitioner.

Parker & Son, Inc., Law Printers, Los Angeles. Phone MA. 6-9171.

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PETITION FOR REHEARING.

Petitioner respectfully prays that this Honorable Court rehear and reconsider the merits of the petition for a writ of certiorari in the above cause because of the importance of the questions presented and the great need of direction by this Court.

The dire necessity for an authoritative ruling of this Court on the construction of 28 U. S. C. Section 1338(b) is clearly evidenced by the fact that the Appellate Court reversed the Trial Court on the jurisdictional question in 8 of the 17 decisions (other than the decisions of this Court) cited by the petitioner and respondent in connection with this petition. In other words, the Appellate Court reversed the Trial Court in almost 50% of these cases in which the jurisdictional question under Section 1338(b) was involved. See Appendix A.

A clarification by this Court would avoid such reversals and, in fact, would eliminate in the first instance the improper joining of non-federal questions

The urgent need for a guiding decision of this Court is also manifested by the facts that the Second and Sixth Circuits formerly followed the liberal construction of 28 U. S. C. Section 1338(b), and that Judges in a single Circuit have disagreed as to the construction of the phrase "related claim" appearing in this Statute.

There obviously is considerable uncertainty in the minds of the Courts, litigants and the Bar. The fact that able Judges of different Circuits and even of the same Circuit so widely disagree establishes that attempts to apply the uncertain, divergent and troublesome law as it now stands as to the construction of the phrase "related claim," does not enable the Courts, even with the most conscientious effort, to reach consistent decisions.

From the decisions of the lower Federal Courts, even though 29 years have passed since this Court's decision in *Hurn v. Oursler*, and 14 years have passed since the enactment of 28 U. S. C. Section 1338(b), it is clearly evident that different rules of law will be applied from time-to-time in the different Circuits, if not in the same Circuit, until this Court decides the questions presented by this petition, and until that time:

1. An unwarranted amount of judicial time and energy and mounting costs to the Government will continue to be spent in ever increasing amounts in pleadings, motions, trials, arguments and appeals, as well as costs and uncertainty to litigants.

2. The law will continue to be indefinite and uncertain — with its many resultant disadvantages. For example, litigants relying on the liberal construction of

the term "related claim" will be out of Court in the event that this Court decides that under 28 U. S. C. Section 1338(b) a "related claim" of unfair competition is restricted to a claim in which the primary relief sought is with respect to an essentially single wrong, however characterized, as distinguished from separate "causes of action". It is to the benefit of such litigants to have an early construction by this Court of that Section in order to enable them, if necessary, to institute proceedings in the State Courts before their actions are barred.

3. Citizens of different Circuits will have advantages over citizens of other Circuits with respect to the joinder of non-federal causes with federal causes. Where the liberal construction with respect to 28 U. S. C. Section 1338(b) prevails Federal and State causes may be joined in the Federal suit; whereas, in jurisdictions where the restrictive construction prevails, such non-federal causes cannot be litigated in the Federal Courts. This results in litigants who reside in Circuits where the restrictive construction prevails to institute their litigation in those Circuits where the liberal construction is applied.

In *Romero v. International Terminating Operating Co.*, 358 U. S. 354, 3 L. Ed. 2d 368, Justice Frankfurter stated that a conflict in the construction of such an old and important statute as the Judiciary Act of 1875 (now 28 U. S. C. Sec. 1331) called for "a full exposition of the problem".

We respectfully submit that the doctrine of *Hurn v. Oursler* and the correct and proper construction of 28 U. S. C. Section 1338(b) is equally important, and should be defined by this Court.

Conclusion.

A decision by this Court of the questions presented by this petition will not only define the law with respect to 28 U. S. C. Section 1338(b) and thereby be of great benefit to the Courts, litigants, and the Bar having matters involving that Statute, but will also be helpful to the Court, litigants and the Bar in connection with all problems of *pendente* jurisdiction.

Because of the importance of the questions presented, reconsideration of the petition and the granting of the writ is respectfully urged.

Respectfully submitted,

R. WELTON WHANN,
ROBERT M. MCMANIGAL,
Attorneys for Petitioner.

Certificate of Counsel.

It is hereby certified that the above petition for rehearing is presented in good faith and not for delay and that it is restricted to the grounds specified in Rule 58(2) of this Court.

ROBERT M. MCMANIGAL.

APPENDIX "A."

Cases	Jurisdictional Question Affirmed, Reversed, or Not in Issue
American Fidelity & Cas. Co. v. Owensboro Mining Co., 222 F. 2d 109.	Reversed
Bullock v. Sears Roebuck, 239 F. 2d 170.	Reversed
Dann v. Studebaker-Packard Corporation, 288 F. 2d 201.	No issue as to §1338(b)
Dubil v. Rayford Camp & Co., 184 F. 2d 899.	Reversed
French Renovating Co. v. Ray Renovating Co., 170 F. 2d 945.	Affirmed
Hook v. Hook & Ackerman, 233 F. 2d 180.	Affirmed
Judson Dunaway Corporation v. Hygienic Products Co., 178 F. 2d 461.	No issue as to §1338(b).
Kleinman v. Betty Dain Creations, 189 F. 2d 546.	Affirmed.
Landstrom v. Thorpe, 189 F. 2d 46.	Reversed
Lyon v. Quality Courts United, 249 F. 2d 790.	Affirmed
Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F. 2d 538.	Affirmed
Muskegon Piston Ring Company v. Olsen, et al., 307 F. 2d 85, 134 U. S. P. Q. 471.	Affirmed
O'Brien v. Westinghouse Electric Corporation, 293 F. 2d 1.	Reversed
Powder Power Tool Corp. v. Powder Actuated Tool Co., 230 F. 2d 409.	Reversed
Ramirez & Ferraud Chili Co. v. Las Palmas Food Company, 146 Fed. Supp. 594, aff'd 245 F. 2d 874.	Affirmed
Ross-Whitney Corp. v. Smith Kline & French Lab., 207 F. 2d 190.	No issue as to §1338(b)
Royal Lace Paper Works v. Pest-Guard Products, 240 F. 2d 814.	Reversed
Schreyer v. Casco Products Co., 190 F. 2d 921.	Affirmed
Telechron, Inc., et al. v. Parissi, 197 F. 2d 757.	Reversed
United Mine Workers of America v. Meadow Creek Coal Company, 263 F. 2d 52.	Affirmed